



# ***Daily Report***

## **East Asia**

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30 July 1996

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# Daily Report

## East Asia

FBIS-EAS-96-147

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## Japan

### Tokyo Offers 'Final' Compromise Plan in Microchip Dispute

OW3007054096 Tokyo KYODO in English  
0515 GMT 30 Jul 96

[By Kohei Murayama]

[FBIS Transcribed Text] Vancouver, July 29 KYODO — Japan presented its final compromise plan on a semiconductor dispute to the United States on Monday, ahead of a last-ditch minister-level meeting to resolve the issue by Wednesday's deadline, a Japanese source said.

Yoshihiro Sakamoto, vice minister for international affairs at Japan's Ministry of International Trade and Industry, met with his U.S. counterpart Ira Shapiro unofficially at a restaurant to offer the compromise, the source told KYODO news.

Earlier in the day, Shapiro, senior counsel and negotiator in the office of the U.S. Trade Representative, told reporters that Japan was expected to give some "new ideas" to be examined at the ministerial-level talks.

The source said the proposal gives some way to U.S. demands for a government role in assessing foreign market share in Japan, while maintaining Japan's basic stance that it will make no commitment on this.

The source declined to elaborate on the proposal, but said the compromise is expected to open the way for ministerial-level talks from Tuesday to settle the row through a "political decision."

Acting U.S. Trade Representative Charlene Barshefsky and Japanese International Trade and Industry Minister Shumpei Tsukahara are expected to hold a meeting to follow up the deputy-level talks, which have been going on since Sunday between Sakamoto and Shapiro.

### Japan: Trade Minister Says No More Chip Talks Beyond 31 Jul

OW3007083496 Tokyo KYODO in English  
0818 GMT 30 Jul 96

[FBIS Transcribed Text] Tokyo, July 30 KYODO — Trade Minister Shumpei Tsukahara said Tuesday that Japan will not extend semiconductor talks with the United States beyond Wednesday, when the current bilateral microchip agreement expires, even if the two nations fail to strike a new deal.

"The agreement will be gone Aug. 1 and we will have no need to hold bilateral talks (after that)," said Tsukahara, head of the Ministry of International Trade and Industry (MITI), in a news conference.

Tsukahara will head to Vancouver, Canada, later in the day to meet with acting U.S. Trade Representative Charlene Barshefsky in a last-ditch attempt to break the bilateral impasse over a U.S. call for a new bilateral framework to succeed the present pact.

If the two sides cannot settle the dispute by the deadline, they will have to move to new multilateral talks, in which the European Union is showing interest, Tsukahara said.

While saying that Japan does not need another bilateral chip arrangement, Tsukahara also said Japan has shown what he termed "sincere consideration" for the U.S. request to address the matter. "We have great confidence in our sincerity," he said.

Tsukahara, however, added that Japan will not compromise on its resistance to numerical targets and other arrangements that could be subject to retaliatory steps under U.S. trade law.

He also said any new agreement must honor international trade rules under the World Trade Organization and the principle of reciprocity, and said Prime Minister Ryutaro Hashimoto shares his view on those points.

Washington wants a new bilateral arrangement to espouse the preservation and continuation of progress made in foreign market access under the old accord, which ensures a foreign share of at least 20 percent in Japan. The share now stands above 30 percent.

Tokyo says that would effectively create another numerical target. Faced with the opposition, the U.S. is poised to drop the call, urging off-the-record commitments to market access instead, U.S. negotiations sources say.

The U.S. also calls for continuing government surveys of foreign market share in Japan. While Japan criticizes the surveys as conducive to managed trade, Japanese negotiators are reportedly seeking to appease the U.S. by moving to private-sector surveys.

Tsukahara failed to confirm such an overture, but said Japanese trade officials, who are already in talks with the U.S. side in Vancouver, are showing sincerity to the U.S. side "in depth."

Japan proposes setting up a multilateral government forum on microchip trade and a joint meeting of the forum and a Japanese industry-proposed World Semiconductor Council to debate market barriers and other issues, which Tsukahara terms the "maximum" concession.

Japanese Prime Minister Hashimoto and U.S. President Bill Clinton agreed to settle the dispute by Wednesday when they met shortly before the summit of the Group

of Seven industrial nations last month in Lyons, France in June.

Tsukahara stressed Japan has "sincerely considered" the U.S. position on the semiconductor issue, recognizing the extreme importance of the Japan-U.S. relationship.

**Japan: New Offer Raises Hope for Chip Accord With U.S.**

OW3007113996 Tokyo KYODO in English  
1123 GMT 30 Jul 96

[By Kohei Murayama]

[FBIS Transcribed Text] Vancouver, July 30 KYODO — Japan and the United States are almost certain to resolve their bilateral microchip dispute by Wednesday's [31 July] deadline, with Tokyo unofficially presenting a final compromise proposal on the eve of minister-level talks starting Tuesday in Canada.

The new proposal particularly over the issue of foreign market access in Japan is expected to significantly raise chances for both trade ministers to make political decisions to resolve the dispute, a Japanese trade official told KYODO news.

Yoshihiro Sakamoto, vice minister for international affairs in Japan's Ministry of International Trade and Industry, unofficially presented the new proposal at the last minute in two days of talks that began Sunday with Ira Shapiro, senior counsel and negotiator in the office of the U.S. Trade Representative.

Shapiro told reporters earlier in the day that he expects Japan to propose some new ideas to be examined in the ministerial talks.

The deputy-level sessions will be upgraded to talks between acting U.S. Trade Representative Charlene Barshefsky, who arrived Monday evening, and Japanese International Trade and Industry Minister Shumpei Tsukahara, who is to arrive Tuesday morning.

Japanese sources said the new proposal features Tokyo tolerating a U.S. plan of having the Japanese and U.S. industries take over the regular microchip share surveys currently conducted by both governments under the 1991 bilateral semiconductor agreement that expires Wednesday.

As for the issue of a continuing government role in monitoring market access, the proposal opens the way for the U.S. to consider acceptable concessions over its demand to keep government involvement intact, while maintaining Japan's basic stance that it will make no commitments.

Tsukahara and Barshefsky are expected to make a final political touch on concrete ways to resolve the market access issue, the sources said.

The current bilateral accord calls on Tokyo to ensure a foreign market share of above 20 percent, but Japan has rejected any new arrangements suggesting new numerical targets now that the foreign share has topped 30 percent.

Japanese officials said Barshefsky should be ready to offer new U.S. ideas as she was instructed by President Bill Clinton shortly before leaving Washington to place utmost efforts in resolving the dispute in Vancouver.

Both negotiators have been under pressure to reach an accord ever since Clinton and Japanese Prime Minister Ryutaro Hashimoto agreed in late June to resolve the semiconductor dispute along with the insurance issue by the Wednesday deadline.

U.S. sources said Washington intends to seek off-the-record commitments from Tokyo in boosting foreign market access in Japan as a last-minute compromise proposal during the Barshefsky-Tsukahara talks.

Under the expected U.S. proposal, Barshefsky will drop the demand for including the phrase "preservation and continuation" in a memorandum of understanding while urging Tokyo in return to offer some form of off-the-record commitment to foreign access to the Japanese microchip market, the sources said.

Specifically, the U.S. side is likely to announce that it will conduct unilateral calculation and publication of foreign market share in Japan in line with the quarterly method under the current agreement.

The proposal allows both nations to claim victory, a scenario resembling an agreement the two nations reached last summer over their high-profile auto trade dispute.

For the U.S. side, as in the case of the auto trade accord, the proposal is apparently intended to tell the U.S. microchip industry that Japan has actually promised to boost foreign market share.

A senior Japanese official said Japan's new proposal does not involve any big change in its stance, but is more like "an explanatory note" for the U.S. side to brief the industry.

The Japanese sources said Tokyo's new proposal also gives in to the U.S. call for creating a new transitional bilateral agreement before shifting to multilateral arrangements including the European Union.

Japan earlier proposed establishing a global government forum to replace the current bilateral arrangements.



A U.S. official said Washington is willing to accept a Japanese demand for limiting any accord to a "joint statement" instead of a memorandum of understanding that could be subject to retaliatory action under U.S. Trade Law.

**Japan: Kubo, Barshefsky Seek Last-Minute Deal on Insurance Dispute**

OW3007080696 Tokyo KYODO in English  
0757 GMT 30 Jul 96

[FBIS Transcribed Text] Tokyo, July 30 KYODO — Finance Minister Wataru Kubo and acting U.S. Trade Representative (USTR) Charlene Barshefsky agreed Tuesday to continue last-ditch efforts at working level to settle the bilateral insurance dispute by Wednesday's deadline, a Finance Ministry source said.

During a 15-minute telephone talk in the afternoon, Kubo proposed that he meet directly with Barshefsky in Tokyo to strike a deal on the dispute over Japan's measures to liberalize its insurance market, the ministry source said.

Barshefsky, however, replied she cannot hold direct talks with Kubo due to her tight domestic schedule, the source said.

As a result, Kubo and Barshefsky agreed to instruct their chief negotiators on the insurance issue to continue last-ditch efforts in Vancouver, Canada, to try to settle the dispute, the source said.

While declining to detail the contents of the Kubo-Barshefsky talks, the source said the two ministers agreed to hold telephone talks again if necessary.

According to the ministry source, Eisuke Sakakibara, director general of the Finance Ministry's International Finance Bureau, will leave Tokyo on Tuesday evening for Vancouver to meet with Ira Shapiro, senior counsel in the office of the USTR.

Sakakibara will arrive in Vancouver on Tuesday morning local time, the source said.

During their meeting in Vancouver last Thursday and Friday, Sakakibara and Shapiro were unable to narrow differences between the two countries over the issue.

The source said the two countries remain far apart over the insurance issue, and the upcoming Sakakibara-Shapiro meeting may not produce much optimism.

**Japan: Okinawa Accepts Heliport Construction in 'Habuhill'**

OW2907135896 Naha OKINAWA TIMES in Japanese  
27 Jul 96 Morning Edition p 1

[FBIS Translated Text] The national government has sounded out the U.S. Government regarding a plan to integrate the U.S. Marine Corps Air Station [MCAS] Futenma into the Kadena Air Base [KAB] following the agreement on an overall return of the former, and it is now studying a possibility of constructing the substitute heliport for MCAS Futenma in an open space called "Habuhill" [name as transliterated] and a portion of a golf course, which are located along KAB runways. This was revealed as of 26 July by national government officials, ruling parties' members, and senior officials of the Okinawa prefectural government. The prefectural government thinks the KAB-MCAS Futenma integration plan is "within the maximum permissible limit" in an effort to prevent construction of new U.S. military facilities. At the same time, it intends to demand that the national government make efforts to reduce noise pollution at KAB by taking such measures as dispersing military planes at KAB to other U.S. facilities both in Japan and abroad. However, local governments around KAB are expressing a growing opposition to the relocation of MCAS Futenma to KAB. Given the situation, the national government is expected to face difficulties in persuading the local governments even if the U.S. side accepts the integration plan.

"Habuhill" and the golf course are located along KAB runways in Chatan Town, and they are close to the Sunabe residential area in the town.

The U.S. Air Force's 18th Wing, which manages KAB, has resisted the integration plan. According to Kadena-Cho Mayor Tokujitsu Miyagi, Commander William Hobbs, who left the post this month [July], reportedly pointed out operational problems, saying: "It is possible for Air Force planes and Marine helicopter units to share the base in peacetime, however, it would create a panic in an emergency."

According to national government officials, the prefectural government regards the KAB-MCAS Futenma integration plan as the "very limit" acceptable option, and the prime minister's official residence understands this prefectural government's position. During his recent visit to the United States, Matsusho Miyasato, chairman of the House of Representatives' special committee on Okinawa, told U.S. Defense Secretary William Perry that "there is no other place than KAB to accept MCAS Futenma." In reply, Perry indicated an interest in the integration plan, saying that the U.S. Government "will study all possibilities."

According to close aides to the Okinawan governor, the prefectural government has maintained that the impact of the MCAS Futenma integration into KAB can be softened by dispersing the military planes at KAB to other U.S. facilities, including Guam where Air Force units have been drastically reduced over the last several years, and Atsugi Naval Air Facility (in Kanagawa Prefecture) and MCAS Iwakuni (in Yamaguchi Prefecture) in Japan.

Air Force planes deployed at KAB include 54 F-15 fighters, 15 units of KC-135 air refueling aircraft, and one unit of early warning and control aircraft. In addition, nine transport planes of the 353d Special Operation Wing have been transferred to KAB following the shutting down of Clark Air Base in the Philippines. The Navy's P-3C anti-submarine patrol aircraft is also deployed at KAB on rotation.

As for the KAB-MCAS Futenma integration plan, Kadena-Cho Mayor Miyagi said: "The local residents will oppose accepting the transfer of MCAS Futenma under any condition." Okinawa City Mayor Shusei Arakawa and Chatan-Cho Mayor Choichi Hentona also strongly resist the plan, saying: "All local residents will unite as one in blocking the relocation."

Alternative sites under consideration for the heliport construction are: the Kadena Ammunition Storage Area [KASA], Camp Hansen, Camp Schwab, the Katabaru coast in Matsuda, Ginoza village, and KAB. At first, KASA was regarded as the most probable candidate site. However, it is reported that both the Japanese and U.S. Governments have now given up the area because various environmental problems, such as deforestation and noise pollution to residential areas around the proposed heliport, have been pointed out.

#### **Tokyo To Give U.S. Bigger Share in Fighter Production**

OW3007075896 Tokyo KYODO in English  
0741 GMT 30 Jul 96

[FBIS Transcribed Text] Tokyo, July 30 KYODO — Japan agreed Tuesday to give the United States a bigger share in joint production of Japan's next-generation jet fighter called F-2, government officials said.

The development set the stage for the Defense Agency to purchase 11 F-2s under the fiscal 1996 state budget as an initial phase of its 12-year project to procure 130 F-2s, they said.

Japan in 1987 intended to develop the new fighter, then code-named FSX, on its own but yielded to pressure from the U.S. to make it a joint project and agreed in

1989 to give U.S. companies a 40 percent share of the volume of the fighter's production.

But the U.S. side demanded more work on the project on the grounds that the yen's appreciation against the dollar since 1989 has cut the U.S. share in dollar terms.

Because of this, Tokyo offered a compromise to let U.S. contractors make part of the fighter's main wings, which would have been made by the Japanese, the government officials said.

The F-2, modeled on the U.S. General Dynamics F-16 fighter, is designed mainly to attack ships of an invading fleet and troops on the ground.

The prototype of the F-2 was unveiled in March and the Defense Agency planned to build 11 of the planes under the fiscal 1996 budget.

#### **Japan: Ministry Urges U.S. To Change Crude Oil Shipping Policy**

OW2907054096 Tokyo KYODO in English  
0444 GMT 29 Jul 96

[FBIS Transcribed Text] Tokyo, July 29 KYODO — Japan has sent a letter to the United States calling for a change in the U.S. policy of allowing only tankers flying American flags to carry Alaskan crude oil, officials of Japan's Transport Ministry said Monday.

The letter, signed by Transport Minister Yoshiyuki Kamei, was sent to Secretary of Transportation Federico Pena and acting U.S. Trade Representative Charlene Barshefsky.

The officials said the U.S. in April lifted a ban on exports of Alaska-produced crude oil, but at the same time enforced a law to require tankers shipping the oil to be registered in the U.S.

Since several Japanese oil importers plan to import Alaskan crude oil, the letter was sent to spur Washington to change the law, they said.

The officials said that among the Japanese oil importers, Idemitsu Kosan Co. plans to import 1.3 million barrels in August, and Cosmo Oil Co. 800,000 barrels in September.

Washington's policy of imposing nationality restrictions on ships has become an issue at world marine transportation talks at the World Trade Organization.

**Japan: Foreign Ministry Urges Fair Probe Into Cray's Claim**

*OW3007122096 Tokyo KYODO in English*  
*1150 GMT 30 Jul 96*

[FBIS Transcribed Text] Tokyo, July 30 KYODO — Japan's Foreign Ministry urged U.S. authorities Tuesday to conduct a fair investigation into a complaint filed by U.S. supercomputer maker Cray Research Inc. against a federal research body's decision to purchase a supercomputer from NEC Corp. of Japan.

"We call for (U.S.) authorities to conduct the investigation using fair, transparent procedures," said Foreign Ministry spokesman Hiroshi Hashimoto during a press conference.

Cray filed the complaint Monday with the U.S. International Trade Commission and the Commerce Department.

Hashimoto added, "we had deep concerns over whether (the department) earlier conducted a transparent estimate since it hinted at the possibility there was dumping (by NEC)."

**Japan: Peacekeeping Mission Leaving for Golan Heights**

*OW2907090196 Tokyo KYODO in English*  
*0753 GMT 29 Jul 96*

[FBIS Transcribed Text] Kumamoto, Japan, July 29 KYODO — A send-off ceremony was held Monday in Kumamoto in southwestern Japan for the second batch of Japanese Self-Defense Forces (SDF) to monitor a buffer zone in the Israeli-held Golan Heights.

The ceremony was held for the contingent from the Ground Self-Defense Force leaving Tuesday [30 July] to replace the Japanese troops who have taken part in the U.N. Disengagement Observer Force (UNDOF), Defense Agency officials said.

The commander of the Japanese contingent, Ryoji Sunami, 36, said at a press conference, "we are very pleased that Japan is able to participate in the UNDOF mission. The first Japanese contingent dispatched to the area has received a high appraisal for their work."

At the ceremony, Yojiro Nakajima, parliamentary vice minister of defense, handed a purple flag with a cherry blossom mark to Sunami and read instructions to the troops from the agency's chief Hideo Usui.

Representatives from the Prime Minister's Office and the Defense Agency will be at Kumamoto airport Tuesday to see the troops off and they will arrive for their duties in the Middle East on Friday.

UNDOF has operated in the area since 1974 to monitor the truce between Israel and Syria, as well as to separate the two countries' troops.

Japanese troops have been a part of the U.N. peacekeeping mission since February.

**Japan: DPRK Reportedly To Permit 'Peace Boat' Rice Deliveries**

*OW2807144596 Tokyo KYODO in English*  
*1357 GMT 28 Jul 96*

[FBIS Transcribed Text] Tokyo, July 28 KYODO — In a sudden turnaround, North Korea said Sunday it will allow a planned voyage to Pyongyang by a Japanese citizens group's so-called "peace boat" mission, group officials said.

Pyongyang earlier said Friday [26 July] it would not permit the visit.

The reversal was conveyed through the pro-Pyongyang General Association of Korean Residents in Japan (Chongryun), the officials said.

The reason for the quick policy change was unknown, they said.

The group plans a sea trip of about 10 days to North Korea starting Aug. 8, with each participant carrying 5 kilograms of rice to help ease food shortages caused by last year's flooding, the officials said.

A report in a leading Japanese business daily on the planned visit had outraged Pyongyang, which termed the proposed voyage a defilement of the North, and North Korea notified the group by facsimile that the visit would not be allowed, the officials said.

The NIHON KEIZAI SHIMBUN report said the peace boat mission would be carrying rice to help feed North Korean people.

**Japan: Government Eyes ASEAN Welfare Conference for Okinawa**

*OW2807151296 Tokyo MAINICHI SHIMBUN*  
*in Japanese 26 Jul 96 Morning Edition p 1*

[FBIS Translated Text] The government has begun studying plans to invite ASEAN forum member nations' ministers in charge of social welfare to Okinawa as soon as in early December to exchange views in line with the world welfare initiative which Prime Minister Ryutaro Hashimoto proposed at the recent summit meeting of industrialized nations (Lyons Summit). Hashimoto himself plans to participate in the Okinawa meeting.

The government predicts that by that time, the issue of proxy signing of documents to force landowners to



continue leasing land for use by U.S. forces in Okinawa and discussions by the Special Action Committee for Okinawa (SACO) would have been wound up. It seems that the government hopes to impress both its own people and the international community by having Prime Minister Hashimoto demonstrate in Okinawa his leadership in nonmilitary affairs and thereby settle the domestic turmoil.

#### **Japan: Editorial Notes Significance of Jakarta ASEAN Talks**

OW2907101796 Tokyo NIHON KEIZAI SHIMBUN  
in Japanese 26 Jul 96 Morning Edition p 2

[Editorial: "Asian Security Dialogue Making Headway"]

[FBIS Translated Text] ASEAN and its major trade partners ended a series of talks in Jakarta, Indonesia. We welcome the fact that security dialogues in the Asia-Pacific region have expanded and become multilayered with the participation of an increasing number of nations. It will hopefully lead to confidence building within and beyond the region.

During the talks this year, the ASEAN foreign ministerial conference opened a path for Cambodia, Laos, and Myanmar to join in the forum. It means that the inauguration of the 10-member ASEAN regime is forthcoming. The significance of this is not small from a standpoint of international politics.

At the third ASEAN Regional Forum (ARF) which welcomed two newcomers, India and Myanmar, 21 nations and organizations discussed security issues in the Asia-Pacific region. Furthermore, China, Russia, and India took part in the 18th expanded ASEAN foreign ministerial talks for the first time as dialogue partners.

Regarding security and the order of international relations, the Asia-Pacific region has not established the framework yet. Although economic development in East Asian countries is a good sign, there are factors that cause instability in the region, such as the Korean peninsula, the South China Sea, and military buildup competition. In addition, various long-term problems concerning energy, food supply, environment, and population do not warrant any optimism for the region.

The ARF chairman's statement pointed at the importance of peacefully resolving the South China Sea territorial dispute, suspending nuclear tests, denuclearizing Southeast Asian countries, and ensuring stability and peace for the Korean peninsula. Nations involved in this region confirmed efforts to deal with these issues in the statement.

All nations involved in ASEAN should mutually expand dialogue by acknowledging the existence of such

problems. We hope that sincere dialogue will continue to build trust and progress will be made toward solving these problems.

At this year's talks, opinions were divided between ASEAN and Western governments, such as the United States and Europe, over the handling of Myanmar under the military junta. In the end, the ARF accepted Myanmar. However, conflict could arise between ASEAN, which is becoming increasingly assertive, and non-ASEAN countries over democratization, human rights, and trade issues. We hope that dialogue will also be conducted in an appropriate manner to avoid meaningless conflicts in the future.

#### **Japan: Ikeda Urges Suu Kyi To Hold Dialogue With SLORC**

OW2607125396 Tokyo KYODO in English  
1237 GMT 26 Jul 96

[FBIS Transcribed Text] Singapore, July 26 KYODO — Japan's Foreign Minister Yukihiko Ikeda called Friday on Myanmar's [Bauma] pro-democracy leader Aung San Suu Kyi to make efforts to start a dialogue with the country's ruling junta.

"Ms. Suu Kyi, for her part, must respect the idea of promoting democracy through dialogue in her own country," he told reporters traveling with him on a tour of three Southeast Asian countries.

The Japanese foreign minister arrived in Singapore on Thursday after attending a series of high-level talks held under the aegis of the seven-member Association of Southeast Asian Nations.

Ikeda will travel to Vietnam on Saturday before returning to Japan on Monday.

#### **Tokyo-Hanoi Pledge To Explore Expanding Security Dialogue**

OW2707124996 Tokyo KYODO in English  
1222 GMT 27 Jul 96

[FBIS Transcribed Text] Hanoi, July 27 KYODO — The foreign ministers of Japan and Vietnam pledged Saturday to promote security dialogue and confirmed steps to realize sub-cabinet-level defense talks between the two countries, Japanese officials said.

Japanese Foreign Minister Yukihiko Ikeda and Vietnamese Foreign Minister Nguyen Manh Cam made the pledge in talks held the same day, the officials said.

Ikeda arrived in Hanoi earlier in the day on the final leg of his nine-day official tour of three southeast Asian nations.

Ikeda, who also visited Indonesia and Singapore on the trip, is the first Japanese foreign minister to visit Vietnam since Taro Nakayama's trip here in June 1991.

A senior Japanese official had said prior to the meeting that the main objective of the meeting between the two foreign ministers were to rally behind Hanoi's "Doi Moi" (renovation) policy.

At its eighth national congress, Vietnam's ruling communist party formally decided to continue with and accelerate Doi moi, which Hanoi has been pushing for the last decade.

As of April this year, Japan ranked second after Taiwan in terms of cumulative investment in Vietnam, with its investment amounting to some 2.3 billion dollars.

Japan is the largest donor to Vietnam with economic assistance totaling about 80.5 billion yen in fiscal 1995, which ended March 31 this year.

On Sunday, Ikeda will meet Vietnamese Communist Party chief Do Muoi, Vice Premier Tran Duc Luong and National Assembly Chairman Nong Duc Manh.

Ikeda will return to Japan on Monday [29 July].

#### **Japan: Ikeda: Security Talks as Regional Confidence-Building Step**

OW2707142596 Tokyo KYODO in English  
1313 GMT 27 Jul 96

[By Takehiko Kajita]

[FBIS Transcribed Text] Hanoi, July 27 KYODO - Japanese Foreign Minister Yukihiko Ikeda and Vietnamese Foreign Minister Nguyen Manh Cam agreed Saturday to commence bilateral talks on security matters as part of efforts to boost political links, a Japanese official said.

Welcoming the developments in bilateral relations in recent years, Ikeda expressed hope that Japan and Vietnam will promote the process of bilateral political dialogue, the official said.

The Japanese foreign minister then proposed the two countries begin security talks as part of confidence-building measures in the Asia-Pacific region, the official said.

Cam also praised continued political dialogue with Tokyo and agreed to consider the proposal to start security talks, according to the official.

Although not mentioned in the Ikeda-Cam meeting, Japan hopes to see Vietnam's vice defense minister visit Japan in the near future as a specific step toward closer bilateral security relations, the official explained.

In the session, Ikeda called on Cam to pay an official visit to Japan at an early date. Cam replied he hopes to do so as soon as possible.

The Japanese foreign minister also briefed cam on the reaffirmation of the Tokyo-Washington security pact in April between Prime Minister Ryutaro Hashimoto and U.S. President Bill Clinton, the official said.

Ikeda repeated Japan's oft-stated contention that the security partnership between Japan and the United States serves not only the defense of Japan but also the stability of the entire Asia-Pacific region.

Meanwhile, Cam vowed to step up its efforts to open the country's economy to the outside world under the banner of its "Doi Moi" (renovation) policy, the Japanese official said.

In reply, Ikeda relayed Tokyo's continued support for the economic reform drive, the official told reporters.

At its eighth national congress, Vietnam's ruling communist party formally decided to continue with and accelerate "Doi Moi," which Hanoi has been pressing ahead with for the past decade.

Shortly after his arrival here earlier Saturday, Ikeda attended a signing ceremony with Cam for Tokyo's extension of grants worth some 3.56 billion yen to Hanoi.

Of the sum, 3.51 billion yen will be extended over a three-year period ending March 1999 to reconstruct bridges in northern Vietnam, Japanese officials said.

In addition, 45 million yen will be handed over to Vietnam to supply educational equipment at Hanoi Foreign Language College, the officials said.

Ikeda is visiting Vietnam on the final leg of his tour of three southeast Asian nations. On Sunday, he is due to meet Vietnamese Communist Party Chief Do Muoi, Vice Premier Tran Duc Luong and National Assembly Chairman Nong Duc Manh.

After leaving Japan on July 21, Ikeda went first to Indonesia to attend a series of high-level talks sponsored by the Association of Southeast Asian Nations.

He then traveled to Singapore for talks with Foreign Minister Shanmugam Jayakumar and other leaders. He will return home Monday.

**Japan: Ikeda Reaffirms Support for Vietnam Economic Reform**

OW2807121496 Tokyo KYODO in English  
1143 GMT 28 Jul 96

[By Takehiko Kajita]

[FBIS Transcribed Text] Hanoi, July 28 KYODO — Japanese Foreign Minister Yukihiko Ikeda reaffirmed Sunday Tokyo's cooperation with Vietnam's economic reform drive, a Japanese official said.

In a meeting with Communist Party Chief Do Muoi, he pledged to boost Japan's economic cooperation with Vietnam now that the ruling party has decided to preserve and further promote the country's "Doi Moi" (renovation) policy, the official said.

But Ikeda also urged Vietnam to improve its business framework to entice more investors from abroad, in part by reviewing its legal systems and other rules, the official said.

While noting Hanoi wants to contribute to the security of the region, Muoi expressed hope Vietnam will be able to expand trade and investment relations with Japan, according to the official.

He was also quoted as telling Ikeda that Vietnam is eager to learn from Japan in the fields of technology and economic management, among other areas.

At its eighth national congress, the Communist Party formally decided to continue and accelerate Doi Moi, which hanoi has been pursuing for the past decade.

Ikeda sought Hanoi's support for Tokyo's bid for a 1997-1998 nonpermanent seat on the U.N. Security Council in this fall's election, the official said.

Citing the need to democratize the powerful U.N. body, Muoi noted Japan should play a greater role in international society, the Japanese official said.

Ikeda was the first Japanese foreign minister to visit Vietnam in five years since Taro Nakayama's trip here in June 1991.

He met Vietnamese Foreign Minister Nguyen Manh Cam upon arrival Saturday. Earlier Sunday, Ikeda conferred separately with Vice Premier Tran Duc Luong and National Assembly Chairman Nong Duc Manh.

Luong told Ikeda that Vietnam will maintain its policy of closer links with other countries and will try to contribute to global peace and security, Japanese officials said.

Ikeda welcomed the enhancement of Doi Moi and pledged to continue supporting the economic reform

drive with financial and other assistance, the officials said.

While citing the need for Vietnam to improve the environment to lure more foreign investors, the Japanese foreign minister called on Hanoi to review its legal systems and other rules as a whole, the officials said.

As of April this year, Japan ranked second after Taiwan in terms of cumulative investment in Vietnam, with its investment amounting to some 2.3 billion dollars.

Luong, for his part, pinned high hopes on Tokyo's continued extension of low-interest yen-denominated loans to Hanoi, according to the officials.

Japan is the largest donor to Vietnam, with economic assistance totaling about 80.5 billion yen in fiscal 1995, which ended March 31 this year.

Ikeda also attended a signing ceremony with Cam for Japan's offer of grants worth some 3.56 billion yen to Vietnam.

Of the sum, 3.51 billion yen will be extended over a three-year period ending in March 1999 to reconstruct bridges in northern Vietnam. In addition, 45 million yen will be handed over to Vietnam to supply educational equipment at the Hanoi Foreign Language College.

Ikeda visited Vietnam on the final leg of his nine-day tour of three southeast Asian nations.

After leaving Japan on July 21, Ikeda went first to Indonesia to attend a series of high-level talks held under the aegis of the Association of Southeast Asian Nations (ASEAN). He then traveled to Singapore for talks with Foreign Minister Shanmugam Jayakumar and other local government leaders.

He will return home Monday.

**Japan: Ozawa Criticizes Public Investment-Led Economic Program**

OW2807120096 Tokyo KYODO in English  
1033 GMT 28 Jul 96

[FBIS Transcribed Text] Morioka, Japan, July 28 KYODO — Ichiro Ozawa, leader of the largest opposition party Shinshinto (New Frontier Party), criticized Sunday government moves to prop up the economy by spending more on public works projects.

In a speech in the village of Tamayama in his native Iwate prefecture, northeastern Japan, Ozawa said the government cannot bring the economy to a full-scale recovery as long as it sticks to the conventional method of investing more in public works projects through a supplementary budget.



Ozawa then pointed to the need for a drastic reform of Japan's economic structure, saying, "Japan's economy itself has reached its limits structurally."

"Unless we develop new technology and new industries, we cannot promote economic development in the 21st century," Ozawa said.

**Japan: BOJ Governor Says Economy 'Recovering Mildly'**

OW2907105596 Tokyo KYODO in English  
1040 GMT 29 Jul 96

[FBIS Transcribed Text] Okayama, Japan, July 29 KYODO — Bank of Japan (BOJ) Governor Yasuo Matsushita told business leaders in Okayama Prefecture Monday that the nation's economy is recovering mildly.

"The scope of the recovery is expanding," the central bank head was quoted as saying by BOJ officials who accompanied him to the meeting.

Matsushita said the trend of weakening domestic prices seen in recent months has come to a halt due to the yen's slip against the dollar, which has pushed up import prices.

But Matsushita said domestic prices would not see a rise, thanks to strong price competition on the international market, according to the officials.

The meeting with the central bank head drew a total of 17 business leaders, including Kanji Inaba, president of Chugoku Bank, a regional bank, which has a network mainly in western Japan.

The leaders urged Matsushita to maintain the central bank's official discount rate at the present level and hailed the recently stabilized yen-dollar exchange rate, the officials said.

**Japan: Nation Lags Behind Others in Financial Expertise Support**

OW2607234296 Tokyo KYODO in English  
1251 GMT 26 Jul 96

[FBIS Transcribed Text] Tokyo, July 26 KYODO — Japan lags behind other industrialized countries in providing expertise to developing countries to help them develop financial markets and systems, a Finance Ministry panel said Friday.

In an interim report, the advisory body to the director general of the ministry's International Finance Bureau said Japan should adopt a two-tier strategy to promote intellectual cooperation in the financial sector.

In helping central Asian nations, which are in a transition to market economies, Japan can contribute by providing knowledge about its "main" bank system

and other Japanese-style economic systems that enabled Japan's miraculous growth after World War II, it said.

Japanese companies usually maintain a close relationship with a specific bank. The "main" bank serves as a major creditor to the companies, holds their shares as a stable stockholder and sends officials as board members.

As for emerging economies in east Asia, meanwhile, the report said Japan should join forces with them on an equal footing to promote measures to improve the global financial infrastructure, including the establishment of a regional fund settlement system.

To take the initiative in global cooperation in the financial sector, however, Japan first has to revitalize its financial markets and make them attractive to foreign investors, the report said.

Japan is losing its position as an international financial center as an increasing number of foreign companies shun its currency, stock and bond markets due to high costs and strict regulations.

**Japan: Panel Expected To Review Public Works Bidding**

OW2907111196 Tokyo KYODO in English  
1054 GMT 29 Jul 96

[FBIS Transcribed Text] Tokyo, July 29 KYODO — A Transport Ministry advisory panel said Monday it will spell out an action program calling for a review of the current bidding system for public works projects ordered by the ministry.

The panel, headed by Hideo Nakamura, vice chief of a semigovernmental body affiliated with the ministry, will consider adding to the selection criteria an appraisal of bidders' technological levels and their past performances in public works projects, officials said.

Under the proposal, these factors would be taken into account along with bid prices, they said.

The panel also plans to propose pushing for more frequent use of foreign-made building materials and equipment, and expansion of the national licensing system for construction engineers, they said.

The panel plans to submit a report on how to implement public works projects more efficiently prior to the government-imposed Aug. 31 deadline for ministries and agencies to submit budgetary requests for fiscal 1997, which starts next April, they added.

**Japan: Ministry Plans To Curb ODA Budget Growth to 3 Percent**

OW2707085096 Tokyo KYODO in English  
0849 GMT 27 Jul 96

[FBIS Transcribed Text] Tokyo, July 27 KYODO — The Ministry of Finance plans to limit annual growth in the official development assistance (ODA) program for fiscal 1997 to "a little less or more than 3 percent," ministry officials said Saturday.

Budget appropriations for ODA and national defense are now at the center of talks among the government, ruling coalition, and the Finance Ministry on the ceilings of such allocations for the year which begins next April.

The cabinet of Prime Minister Ryutaro Hashimoto plans to adopt the caps of fiscal 1997 budget allocations Tuesday (30 July).

The projected 3 percent growth ceiling on the ODA budget compares with the 7 percent cap set in fiscal 1996, and may fall short of the growth ceiling of the defense budget, which is likely to be fixed at between 2.5 percent and 3.5 percent.

The sum of Japan's ODA was the world's largest in fiscal 1996 for the fifth consecutive year, accounting for a quarter of the industrialized world's total official aid amount.

An official of the Finance Ministry's Budget Bureau said, "we see no need to set aside an unusually large amount of money for ODA," given that industrialized nations, by and large, tend to cut back on such spending under fiscal constraints.

But Foreign Ministry officials are opposed to the Finance Ministry's plan on the grounds that the recent weakening of the yen against the U.S. dollar is expected to deflate Japan's ODA amount in dollar terms.

They also maintain that ODA forms the "main pillar" of the nation's international contributions.

Japan's ODA budget has grown annually by 7-9 percent for the last five years.

But the government and the three ruling coalition parties — the Liberal Democratic Party, the Social Democratic Party and New Party Sakigake — agreed last week that growth in all budget requests for fiscal 1997 should be limited in view of the large national debt.

**Japan: Parties Agree on 2.6 Percent ODA Budget Growth in FY97**

OW2907134996 Tokyo KYODO in English  
1326 GMT 29 Jul 96

[FBIS Transcribed Text] Tokyo, July 29 KYODO — The government and ruling coalition agreed Monday to boost Japan's Official Development Assistance (ODA) by a record low 2.6 percent in fiscal 1997 [FY97] which begins April 1, coalition officials said.

The growth rate compares with a 3.5 percent rise in the current fiscal year.

The ODA allocation was one of the major pending issues between the government and the three-party coalition in preparing the fiscal 1997 budget.

The other issues include outlays for defense buildups, the officials said.

With the agreement on the ODA appropriation, the government's general operating expenditures for fiscal 1997 will grow an estimated 4.1 percent over the current year to around 44.9 trillion yen, the officials said.

The government and the ruling parties intend to agree on the growth rate of defense expenditures Tuesday morning to pave the way for the cabinet to set the ceiling on budget requests from government ministries and agencies at its session Tuesday afternoon, they said.

The government of Prime Minister Ryutaro Hashimoto and the ruling parties failed to straighten out their differences over defense expenditures at their meeting Monday, the officials said.

The ruling coalition consists of the Liberal Democratic Party, of which Hashimoto is president, the Social Democratic Party and New Party Sakigake, a splinter conservative group.

The officials said the defense agency demanded a 4.5 percent rise in defense expenditures, citing the recent decline in the value of the yen that will boost procurement costs of military material.

The SDP and New Party Sakigake refused to back down on their demand for a maximum 2.58 percent increase, they said.

The government and coalition have already agreed in principle to raise outlays for public works projects by around 1.5 percent and cut the government's operating expenditures by 12.5 percent, compared with a 10 percent reduction in the current fiscal year, the officials said.

A total of 300 billion yen will be set aside for a special account to promote structural changes of the domestic

economy and academic research and development, they said.

**Japan: Hashimoto Says 2.6 Percent Rise in ODA Funding 'Enough'**

OW3007065596 Tokyo KYODO in English  
0643 GMT 30 Jul 96

[FBIS Transcribed Text] Tokyo, July 30 KYODO — Prime Minister Ryutaro Hashimoto said Tuesday he sees as "enough" the 2.6 percent rise in the cap on yearly growth of the nation's Official Development Assistance (ODA) program for fiscal 1997 which begins next April.

He was commenting on Monday's agreement among the three ruling parties — the Liberal Democratic Party, the Social Democratic Party and New Party Sakigake — to curb the ODA budget growth to a record low 2.6 percent.

The growth rate is scheduled to be adopted by the government Tuesday evening as part of ceilings on budget requests from government ministries and agencies for fiscal 1997 which begins next April.

He told reporters the 2.6 percent rise can be seen as the same level as the previous year's growth, taking into account the increase in consumption tax from the present 3 percent to 5 percent next April and the fluctuation of foreign exchange rates.

Last year, the Finance Ministry set the growth cap for fiscal 1996 ODA budget requests at 7 percent.

However, Hashimoto emphasized, "what is important is to conduct field surveys to supervise the proper use of ODA."

When Japan supplies ODA, "it is necessary to confirm whether local people really need the assistance," he said, adding that some recipient countries' plans for ODA-financed projects did not satisfy Japanese requirements.

**Japan: Coalition Agrees on 2.88 Percent Rise in Defense Spending**

OW3007091696 Tokyo KYODO in English  
0854 GMT 30 Jul 96

[FBIS Transcribed Text] Tokyo, July 30 KYODO — Policy-makers of the tripartite ruling coalition agreed Tuesday to raise defense outlays by 2.88 percent for fiscal 1997 from the initial outlays for the current fiscal year, coalition sources said.

The increase would be above the 2.58 percent rise for the current fiscal year, the sources said.

The coalition consists of Prime Minister Ryutaro Hashimoto's Liberal Democratic Party, the Social

Democratic Party led by former Prime Minister Tomiichi Murayama and New Party Sakigake.

**Japan: Coalition Plans To Raise FY97 Research, Development Budget**

OW2607111096 Tokyo KYODO in English  
1107 GMT 26 Jul 96

[FBIS Transcribed Text] Tokyo, July 26 KYODO — The three ruling coalition parties plan to allocate more funds to institutions for basic scientific research and new technological development in fiscal 1997 budgetary appropriations, coalition sources said Friday.

The government and the governing parties have already agreed to expand a special spending quota for priority public investment projects to 500 billion yen in fiscal 1997 from the 300 billion yen allocated for both fiscal 1995 and 1996.

Of the 500 billion yen set aside for fiscal 1997, which starts next April, 100 billion yen will be used for research and other facilities, while the remaining 400 billion yen will cover public works, such as the construction of roads and ports, the sources said.

In both fiscal 1995 and 1996, facility costs were set at 50 billion yen and the remaining 250 billion yen was earmarked for public works.

In the face of criticism on fixed spending on a sector-by-sector basis, the government introduced the special quota in fiscal 1995 to funnel more funds to priority public investment projects.

The government is scheduled to set standards for fiscal 1997 budgetary appropriations requests at a cabinet meeting Tuesday afternoon, following talks with ruling coalition leaders.

Amid strained national finances, the government and the ruling coalition have agreed to keep fiscal 1997 investment-related expenditures effectively unchanged from the year-earlier level.

As a result, the governing coalition is seeking to avoid a decline in public works projects by maintaining 1.3 trillion yen worth of infrastructure improvement projects with proceeds from sales of Nippon Telegraph and Telephone Corp. (NTT) shares held by the government, the sources said.

The step was apparently intended to calm opposition from some coalition party members to curbing growth in expenditures related to public works projects.

With general elections looming on the horizon, there have been calls from the Liberal Democratic Party



(LDP), the biggest force among the three governing parties, for larger expenditures for public works projects.

The civil engineering and construction industries, which have been benefiting from public works projects, are traditional supporters of the conservative LDP.

Analysts say it is difficult for the government to sell NTT shares in fiscal 1996, given the current sluggish stock market.

If the government is to maintain the 1.3 trillion yen spending quota, it will be forced to issue government bonds to finance the disbursement, further worsening strained fiscal conditions, they say.

#### **Japan: DA Submits Plan To Create Quick-Response Squad**

OW2607123596 Tokyo KYODO in English  
1150 GMT 26 Jul 96

[FBIS Transcribed Text] Tokyo, July 26 KYODO — The Defense Agency [DA] submitted Friday to the ruling coalition its plan for adopting a new system of reserve personnel for quick response within the Self-Defense Forces (SDF) as part of a new defense program created last year, agency officials said.

The agency plans to employ about 1,300 such reserve personnel in fiscal 1997, which starts in April 1997, as part of SDF streamlining efforts, the officials said.

The new system will help reduce the fixed number of troops in the Ground Self-Defense Force (GSDF) by about 1,400 in the fiscal year.

The GSDF is planning to reorganize its 4th division, headquartered in Fukuoka Prefecture, western Japan, by launching a new regiment within the division consisting mainly of the quick-response reserve personnel.

The new defense program envisioned cutting the limit of GSDF troops to 160,000 from the 180,000 set under the previous program.

But the actual reduction from the current 150,000 troops will number in the hundreds in the next fiscal year, agency sources said.

New quick-response reserve personnel will be employed mostly from former SDF members and will serve as reserve troops for actual combat when an emergency occurs.

The agency plans to increase the total number of such personnel to 15,000 in the future.

#### **Japan: DA Expected To Set Up Preparatory Office for Intelligence HQS**

OW2707025196 Tokyo NIHON KEIZAI SHIMBUN  
in Japanese 25 Jul 96 Evening Edition p 2

[FBIS Translated Text] The Defense Agency [DA] plans to set up on 1 August a "preparatory office for an intelligence headquarters (headed by Tadahiko Furusawa, secretary general of the Joint Staff Council)," which will eventually become an "intelligence headquarters" in January next year. Intelligence sections in the Ground, Maritime, and Air Staff Offices and other branches will be consolidated into the headquarters.

The preparatory office will not only make preparations for establishing the headquarters but will also do information gathering and analysis work by building almost the same structure to be adopted by the formal headquarters. The office will virtually become the first full-fledged military intelligence organization.

The plan is designed to enhance the DA's capability to gather and analyze information. The Diet has approved establishing the headquarters with the FY96 budget. A general-class uniformed officer will be appointed headquarters director. Five intelligence sections in the Ground, Maritime, and Air Staff Offices, a DA internal bureau, and the Joint Staff Council Secretariat will be merged into the headquarters to streamline and improve the efficiency of the DA's intelligence-related operations.

The preparatory office will start up with a payroll of around 1,000 people, which will be increased to about 1,600 when it becomes an intelligence headquarters next year. Task forces, such as the Ground Staff Office Second Intelligence Section, will be incorporated into the provisional division. Its routine work will include the monitoring of radio messages around Japan and exchange of information with the U.S. Military. It will do information gathering and analysis work "on an experimental basis" in preparation for the intelligence headquarters' formal inauguration next January.

Through the preparatory office's operations, which will start in August and last for five months, the DA intends to see what problems will arise from the consolidation of intelligence sections of the Ground, Maritime, and Air Staff branches.

#### **Japan: DA Announces Plan for Greater Use of Reserve Personnel**

OW2807153696 Tokyo YOMIURI SHIMBUN  
in Japanese 26 Jul 96 Morning Edition p 2

[FBIS Translated Text] The Defense Agency [DA] plans to secure approximately 1,000 reserve personnel for the

Ground Self-Defense Forces [SDF], capable of being quickly mobilized, in fiscal 1997 — the system will be newly introduced. The DA disclosed the plan at a ruling parties meeting on coordination of defense issues held at the Diet building on 25 July. In line with the plan, it will reduce the fixed number of the Ground SDF by 1,300 to 1,400. This will be the first drastic cutback in the set number of SDF personnel.

The DA plans to reorganize the 4th Division (stationed in Fukuoka) of the Western Army in fiscal 1997, and the division will be staffed with regiments to be comprised mainly of reservists capable of being quickly mobilized.

The new National Defense Program Outline (new outline) has decided to introduce the quickly-mobilized reservists system in addition to promoting cutback in Ground SDF personnel. Resigned or retired SDF personnel will be asked to serve as quickly-mobilized reservists. While conventional reservists are called up for active service in such fields as logistical support activities in a case of emergency, quickly-mobilized reservists will be assigned to the forefront units. The new outline stipulates that the total of 15,000 reservists capable of being quickly mobilized will be introduced to the SDF in the long run.

The DA plans to submit a bill on revising the SDF Act to the ordinary Diet session in fiscal 1997 to establish the quickly-mobilized reservists system. It is now discussing such issues as pay for quickly-mobilized reservists and the best compensation system for private-sector companies who employ the SDF reservists.

In this connection, the DA held the first meeting of the "council on employment for SDF reservists" (a private advisory panel for the chief of the DA's Bureau of personnel) on 25 July. It invited representatives from private-sector companies and business circles to the meeting to hear their opinions about the quickly-mobilized reservists system.

#### **Japan: Hashimoto Makes 'Controversial' Visit to War Dead Shrine**

OW2907054696 Tokyo KYODO in English  
0501 GMT 29 Jul 96

[FBIS Transcribed Text] Tokyo, July 29 KYODO — Prime Minister Ryutaro Hashimoto on Monday visited Tokyo's Yasukuni Shrine, which enshrines the souls of Japan's war dead, becoming the first serving Japanese prime minister to do so since Yasuhiro Nakasone in 1985.

Asked by reporters how he characterized the visit in view of repeated protests from South Korea and China over prime ministerial visits to the shrine, Hashimoto

said, "Why should it matter anymore.... Surely it's time to stop letting that sort of thing complicate our international relations."

Hashimoto, 59, said he chose the date for the visit because it is his birthday.

He also said that in visiting Monday, he had avoided visiting on the Aug. 15 anniversary of the end of the war and on days when the shrine celebrates its spring and fall festivals.

"I'm also thinking of going on the day I got word of the death of my cousin in the war," he said.

Asked in what capacity he had signed the shrine visitors' book, Hashimoto said the question was "ridiculous" and that he had been true to his own feelings in going.

But Hashimoto also said he has always stuck to a policy of adding his title at the time of a visit.

"I've always written in my status at the time," he said. "When I am prime minister, I write 'prime minister'."

Hashimoto said he did not give a donation to the shrine.

Visits to the shrine by serving members of the cabinet are controversial because former convicted World War II war criminals are enshrined there.

Some members of the ruling coalition member Liberal Democratic Party and the Japan War-Bereaved Association which Hashimoto formerly headed have urged him to pay a visit on the Aug. 15 anniversary of the end of the war.

Nakasone's visit was on the anniversary of the end of the war.

In May, when reporters asked Hashimoto if he would visit the shrine on the anniversary of the war's end, he replied that he would refrain from doing so because it would "cause problems for people," but added that he "might not refrain" from a visit in a private capacity.

Monday's visit was not included in the prime minister's official schedule.

The government's Chief Spokesman, Chief Cabinet Secretary Seiroku Kajiyama, told a press conference that there was "nothing special" in the visit.

#### **Japan: Hatoyama on Formation of New Party, Policies**

OW3007004596 Tokyo TOKYO SHIMBUN  
in Japanese 24 Jul 96 Morning Edition p 2-3

[Interview with Yukio Hatoyama, chief secretary of Sakigake, by Makoto Ogino, TOKYO SHIMBUN Polit-

ical Desk chief, in Tokyo on 24 July; from "The Core" column]

[FBIS Translated Text] [Ogino] Why is a new party necessary?

[Hatoyama] People are feeling a sense of pessimism permeating politics. Election turnouts are low, and the people's interest in politics is decreasing. We are in a very dangerous state, and I think that all the existing parties are challenged by eligible voters who have no particular party to support. To tide over this situation, we have to get rid of the hedge between political parties, form a suprapartisan group, and create a new stream. We cannot get out of the current situation if our move ends in just rearranging the existing parties.

[Ogino] Is it impossible for Sakigake to create a new trend?

[Hatoyama] Sakigake has acted to get political power back by taking a scalpel to collusive relations among political circles, bureaucrats, and business circles under "special-interest" and bureaucrat-led politics. I do not think our policies and ideas have been wrong. But our party is now branded as one of the existing parties and has lost the people's support. People observe us as being satisfied with where we stand, on a foothill in spite of our initial aim to climb a high mountain. People also see that our will is broken. So, we must get together people who have the same will.

[Ogino] There is a critical view that your move to form a new party is merely changing the party's name to deal with elections. How do you respond to this?

[Hatoyama] Sakigake lacks the power to realize its policies and political beliefs. It is impossible for us to reflect our policies in actual politics unless we hold a certain power. If Sakigake's ideology is observed as stained, we need to brush it up. To form a new party is not to change the party's name but to take a step forward.

[Ogino] How can Sakigake increase its power?

[Hatoyama] We have to go back to the starting point and think anew about for what and whom politics should be. Then each of our groups needs to strengthen its own individual power to carry through with what it should speak out on. Beefing up power includes increasing the number of members. With the current number of Sakigake members, we will be overwhelmed (by large parties like the Liberal Democratic Party).

[Ogino] What are the policy pillars of the new party?

[Hatoyama] What has to be done is administration reform and fiscal reconstruction. We have to get out of the economy-first society and create a society attaching

importance to environmental protection. In promoting deregulation for reforming the economic structure, we will set the specific targets of deregulation and start with effective ones. On the diplomatic front, we, reflecting on Japan's conventional diplomacy, toeing the U.S. line, would like to create a diplomatic framework by which Japan can carry out its own policies. We want to make efforts to come up with policies that can narrow the distance between Japan and the Asian nations. This effort begins with unifying our recognition of the past and history. If there is a difference among fellow members in understanding history, our stance on the future will differ. In addition, we will promote educational reform, which Sakigake emphasized.

[Ogino] Would you explain the education reform more specifically?

[Hatoyama] When the importance of "fraternity" is reflected in policies, we will come to conclude that a reform of the education system is necessary. It is a fact that producing uniform children under uniform education contributed to developing the economy of mass production. However, now, we should create an education system in which students can say: "I am different from you. That is why we are living in a wonderful society." There was an era when a course of study was important, but now it has become a stumbling block and has led to creating a Japanese society in which the people cannot find their own identity and have lost dignity. We need to lower the importance of a course of study. We are in a period in which we have to debate whether the government should take control over a course of study, including textbooks, and whether they should be managed at the local government level.

[Ogino] Mr. Hatoyama, you are a son of the postwar "baby boom generation." Are you conscious of that?

[Hatoyama] When we baby boomers were university students, we challenged adult society by calling into question industry-university-bureaucracy cooperation. Our generation has felt some sense of futility since then, and we still have a strong desire to break the anatomy of dependence among the political world, the business circles, bureaucrats, and universities. Moreover, as we grow old, the number of children will further decrease, and burden charges and benefits will be out of balance. We have to avoid by any means further increasing a financial deficit and forcing present-day children to make up for it. We must discuss this problem now.

[Ogino] When arguing this issue, you cannot help facing the problem of the consumption tax.

[Hatoyama] I think that, though it is regrettable, an era in which the consumption tax has to be raised will



come in the future. Administrative reform is a measure that can curb an increase in tax rates. In administrative reform, quantitative reform has to be carried out. At the same time, the roles of "the government" and "the private sector" have to be reviewed, and roles that can be handled by the "private sector" have to be transferred to the private sector. We need to reduce the roles of the government by making use of the "private" sector. Even in the case of public works projects, we need to study what projects are really needed. They have to be reviewed from such a viewpoint. It is necessary to work out a 10-year plan with a numerical target to reduce the projects. We have to try to eliminate waste, because government expenditures are increasing in this aging society. With those factors in mind, we have to start an argument on measures to make up for tax revenue shortages. For example, the number of domestic companies moving overseas is increasing because income and corporation taxes are high. Given this situation, a review of the component ratio of direct and indirect taxes in tax revenue is inevitable.

[Ogino] It requires you to have the nerve to continue calling for raising the consumption tax, does it not?

[Hatoyama] I do not think the necessity for raising the tax is easily understood. But should we be allowed to seek only comfortable living and cause pain to our children and grandchildren? I want to seriously explain to the people by saying, "If our way of living keeps on like that, it will face difficulties. Which do you prefer?" However, in the course of arguing on the consumption tax hike, there will be a question as to whether the fixed tax increase should be applied to all goods and services. It is a matter of course that the introduction of a value added tax or an invoice system would also be proposed.

[Ogino] What is your opinion on the issue of security and defense?

[Hatoyama] Japan's position that it will not threaten or use armed forces for the purpose of aggression, as described in Article 9 of the Constitution, has to be maintained absolutely. It is important to recognize that Asian nations are still distrustful of Japan. If we should allow (the interpretation of) the collective security right to be expanded, there will emerge a possibility of discussing the propriety of using arms. We have to be watchful of this.

[Ogino] How about Japan's cooperation with the United States in the event of an emergency in the Far East?

[Hatoyama] Japan has to feel out the actual position of a nation confronting the United States. At the same time, Japan has to conclude whether the United States is acting under United Nations approval or under its own

decision. It is important to seek every possible means and discuss to what extent Japan's action can be allowed and from what point its action would be taken by an opponent nation as using armed forces. For example, even if tense relations between Taiwan and China are seen, and whatever action the United States takes, Japan should never get itself involved in the situation.

[Ogino] The Japan Postal Workers' Union, which opposes privatization of the government services related to postal service, postal saving, and postal insurance, and the All Japan Telecommunications Workers' Union, which opposes a plan to divide the Nippon Telegraph and Telephone Corporation (NTT), have announced that they will support "Hatoyama's new party." What do you think of this?

[Hatoyama] Are they going to say that they would support us regardless of our policy or that they would support us and keep an eye on our policy in return? We are saying to the union members: "We appreciate your support. But it should not influence us to change the fairness of our policy. Can you accept that?"

[Ogino] What do you think of the idea of turning the postal service into a private firm?

[Hatoyama] We should have more discussions on privatization of postal savings, which is backed by the people. However, we have to review without failure the way of making treasury investments and loans. Reform is unthinkable without plunging a scalpel into it.

[Ogino] Will the new party aim to become a ruling party?

[Hatoyama] The best scenario is to form the new party when we do not need to make a decision on whether we should side with the ruling side or the opposition. I do not want to be put in a situation where things do not go as we wish, so that we have to unconditionally choose either side. If we have enough time between (formation of the new party) and the general elections, I would like to have discussions with the ruling side on policy matters. We will join them if we reach an agreement. Otherwise, we will join the opposition. Our stance will not change, even after the elections. We will explain what the new party would like to do. We will talk with the ruling parties if they want us to share administrative power. Otherwise, we will act as an opposition party. You can form clear policies if you have both possibilities. We should not make a decision from the beginning on whether we will join the ruling side or the opposition.

[Ogino] Judging from the current state of forming the new party, I have a feeling that only the people you

want to see are joining the movement to form the new party.

[Hatoyama] It is like a relationship between a man and a woman or the secrets of human nature. People retreat if you approach them, but they come to you if you retreat. It is true that the things that are apt to happen in the human mind are taking place. I do not know how I should approach people to make them join me. Since I am an optimist, however, I think things will go smoothly at the end. I was worried that there would be a movement for the Social Democratic Party [SDP] and Sakigake to merge into one party around this spring. But I think that the idea of merging the two parties has toned down considerably. A new party should not be formed only by the SDP and Sakigake. I think it is unlikely as far as the wishes of the people are concerned. I am almost certain that a new party cannot be formed merely by merging political parties.

#### **Japan: LDP's Kato Ordered To Pay 1 Million Yen in Libel Suit**

OW3007115896 Tokyo KYODO in English  
1130 GMT 30 Jul 96

[FBIS Transcribed Text] Tokyo, July 30 KYODO — The Tokyo District Court on Tuesday ordered Koichi Kato, secretary general of the Liberal Democratic Party, to pay 1 million yen in damages to a former supporter for claiming the latter might have taken a suspicious donation on Kato's behalf.

The court issued the order after Kato did not attend a hearing or present any legal documents against a 10 million yen libel suit filed by Shigenori Mizumachi, former chief of a support group for Kato, over the politician's Diet testimony in June.

In the testimony, Kato denied taking a 10 million yen donation from the now-defunct steel frame maker Kyowa Co. and claimed that Mizumachi or someone else in his support group might have taken the money.

Kyowa was a major debtor to failed mortgage companies known as "jusen," which are to be liquidated in a government scheme using taxpayers' money.

Mizumachi has said Kato took the donation in his presence in January 1990.

In issuing the court order, presiding judge Toshihiko Iida said Kato may be deemed to have taken the donation on the grounds that he did not attend the court hearing last week or make any statement in his own defense.

## **Mongolia**

### **Mongolia: Parliament Approves New Government Composition**

LD3007101396 Moscow ITAR-TASS World Service  
in Russian 0719 GMT 30 Jul 96

[By ITAR-TASS Kim Boldokhonov]

[FBIS Translated Text] Ulaanbaatar, 30 Jul — The Mongolian Great State Hural has approved the country's new government composition after in-depth discussions. The candidates have been approved by the president and introduced by the prime minister.

The following people will lead the ministries: Health and Social Protection — L. Zorig; Nature and Environment Protection — T. Adyasyren; Education, including Culture and Science — C. Lkhagvazhav [as received]; Defense — D. Dorligzhav [as received]; Infrastructure Development — G. Nyamdavag; Agriculture and Industry — L. Nyamsamby [as received]; Finance — P. Tsagaan; and Justice — J. Amarsanaa.

The candidate for the post of foreign affairs minister has not been approved. Until his appointment, Prime Minister Mendsayhany Enhsayhan will be in charge of foreign affairs matters.

Thus, the new government will have nine ministers instead of 14. However, their functions and duties will be much wider. Such is the essence of innovations introduced into the law on government, which has been passed by the Great State Hural.

All the ministers have higher education and their average age is 41.

## **North Korea**

### **DPRK: Remains of U.S. Soldier Returned at Panmunjon 29 Jul**

OW2907231996 Pyongyang KCNA in English  
2222 GMT 29 Jul 96

["U.S. Remains Delivered" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 29 (KCNA) — The first joint excavation of remains of U.S. soldiers who were killed in the DPRK area during the last Korean war took place in Songbong-ni and Jongsung-ni, Unsan county, North Phyongan Province, between July 11 and 27 in accordance with the DPRK-U.S. agreements of May 9 and June 14, 1996 in New York and Pyongyang.

In the course of this, a set of remains was exhumed.

The remains was delivered to the U.S. side through Panmunjom today.

Senior Col. Pak Nim-su, deputy chief of the Panmunjom mission of the Korean People's Army, and Jay Alan Liotta, deputy director of the defense prisoners of war and missing in action office, signed the delivery document.

The U.S. side expressed thanks to the DPRK government for rendering humanitarian effort and assistance to the first joint excavation of U.S. remains.

**DPRK: Citizens 'Warmly Welcome' Returned KPA Soldier**

OW2907234596 *Pyongyang KCNA in English*  
2220 GMT 29 Jul 96

["KPA Soldier Comes Back From South Korea" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 29 (KCNA) — Kim Yong-kil (20), a corporal of the Korean People's Army, who was drifted in a flood and detained by the South Korean puppets, arrived in Pyongyang this afternoon.

KPA servicemen, working people and school youth and children in Pyongyang came out to the streets to warmly welcome Kim Yong-kil, who smashed the plots of the South Korean puppets to appease and deceive him and has come to the bosom of the great leader Comrade Kim Chong-il.

He was drifted down to the south side of the Imjin River, engulfed in a flood while on duty at about two on the morning of July 26.

The South Korean puppets distorted the fact and reported as if he had "defected", while scheming for his "defection".

Comrade Kim Chong-il, respected supreme commander, firmly believed the revolutionary soldier who was in the area behind the enemy line and took all measures to take him back to the socialist fatherland at an early date.

The South Korean puppets could not break his will and faith full of trust in the fatherland and the people and were compelled to send him back.

At 11 in the morning he came back through Panmunjom.

He loudly shouted "long live the respected supreme commander Comrade Kim Chong-il" after crossing the division line at Panmunjom.

He at a press conference at Thongil house exposed that the South Korean puppets resorted to all sorts of plots to make him defect.

He said that he could return to the socialist fatherland because he is a soldier of Comrade Kim Chong-il and that he would be a rifle and bomb, a faithful son to defend the supreme commander.

He was warmly welcomed by a large number of working people, servicemen and school youth and students along the route from Panmunjom to Pyongyang.

**DPRK: Reaction to Remarks by ROK Intelligence Chief**

SK3007055596 *Pyongyang KCNA in English*  
0439 GMT 30 Jul 96

["ANSP" of S. Korea Must Be Disbanded at Once" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 30 (KCNA) — Kwon Yong-hae, chief of the puppet Agency for National Security Planning (ANSP), showed up at the "Information Committee of the National Assembly" on July 25 and viciously slandered the economic system of the DPRK, alleging that the "planning economy" of the North has reached its "limit" and the North has found itself in "difficulties". Worse still, he went the length of making preposterous remarks that the North is "openly punishing people through regional circuit trials."

This slander is a jargon of a person who is ignorant of the socialist system of the North and its realities.

Underlying this jargon is a foul plot of the ANSP to further aggravate antagonism and confrontation between the fellow countrymen and lead the North-South relations to a more acute phase.

It has most tenaciously opposed inter-Korean dialogue since it came into being.

In recent years, it dispatched more than 50,000 agents to the United States, Japan, China, Russia and other parts of the world to conduct anti-DPRK smear campaigns and create dissension among overseas Koreans.

Historic facts show that as long as the ANSP exists, inter-Korean dialogue cannot make progress and even if North-South dialogue is held, nothing can be expected from it.

Its tricks have further aggravated confrontation between the North and the South of Korea.

If the inter-Korean relations are to be improved, the ANSP must be disbanded without delay.

Our people and People's Army will never pardon those who hurl slanders at our dignified socialist system.

The Kim Yong-sam group must clearly know that if they continue the anti-DPRK campaign through such a



fascist trick-plotting tool as the ANSP, they will face a stern judgement by the nation.

**DPRK: SKNDF Urges ROK Workers To Accelerate 'Emancipation'**

*SK2907064396 Pyongyang KCNA in English  
0444 GMT 29 Jul 96*

[FBIS Transcribed Text] Pyongyang, July 29 (KCNA) — The director of the Labour-Peasant Department of the Central Committee of the National Democratic Front of South Korea (SKNDF) in a press statement on July 25 called on 18 million workers to bring earlier the days of labour emancipation by waging the July-September struggle of workers again for their existence, rights and freedom. The statement said that the great July-September workers struggle erupted in the whirlwind on the popular resistance in June nine years ago was a political event which dealt a heavy blow at the colonial fascist forces and powerfully rang the bell of labour emancipation as well as a praiseworthy conduct that kindled the torch of the independent democratic labour movement.

The statement noted that the "civilian" dictatorial regime is scheming to chill political conscience and fighting spirit of workers through crackdown and the enforcement of "new labour-management reform" and bar the development of the labour movement. Workers should fight vigorously together with people of all walks of life who love the nation, value democracy and want reunification, under the banner of independence against Americans, the statement said, and stressed, we should set a common fighting goal and keep step with each other in the united struggle, transcending differences in enterprises, business and regions.

**DPRK: Tokyo Meeting Urges Release of ROK 'Political Prisoners'**

*SK2807104496 Pyongyang KCNA in English  
1017 GMT 28 Jul 96*

[FBIS Transcribed Text] Pyongyang, July 28 (KCNA) — A meeting demanding the release of the Japan-resident Korean political prisoners took place in Tokyo under the sponsorship of the Executive Committee of the "1996 National Movement for Release of South Korean Political Prisoners".

The meeting denounced the Kim Yong-sam regime for raising confrontation rows against the northern half of Korea and faking up fictitious "spying cases" to crack down on and arrest South Korean students and workers.

At the end of the meeting the participants staged a demonstration, shouting the slogans "Release All the Political Prisoners Including the Japan-Resident Korean

Political Prisoners On August 15" and "Abolish the 'National Security Law'".

Present at the meeting were Kwon Yong-pu, secretary general of the "International Centre of Human Rights Fund of South Koreans in Japan", Song Se-il, director of the international department of the "Federation of South Koreans in Japan for Democracy and Reunification", Kazuo Watanabe, co-representative of the "National Council of the Society for Supporting Japan-Resident Korean Political Prisoners in South Korea", and members of the organisation for rescuing political prisoners.

**DPRK: Kim Tae-chung's Criticism of ROK Government Cited**

*SK2807101796 Pyongyang KCNA in English  
1013 GMT 28 Jul 96*

[FBIS Transcribed Text] Pyongyang, July 28 (KCNA) — Kim Tae-chung, president of the South Korean opposition "National Congress for New Politics" (NCNP) abused the Kim Yong-sam group on July 24, saying that it is wrong that the present 'government' has not carried out the inter-Korean Basic Agreement, ignoring it," according to an MBC in Seoul. [sentence as received] In this regards, the "New Korea party" group were trying to charge him with pro-Communism. A spokesman for the NCNP in a statement on July 25 said that it is natural that the opposition party criticized the Kim Yong-sam regime of making most mistakes in the inter-Korean issue among the mistakes, adding that they cannot defend even the errors of the "government".

**DPRK: 'Document' on ROK Human Rights Violation Cited**

*SK2807101296 Pyongyang KCNA in English  
1008 GMT 28 Jul 96*

[FBIS Transcribed Text] Pyongyang, July 28 (KCNA) — The International Association Against Torture published a document exposing the human rights violation of the South Korean authorities.

The document disclosed in detail the fact that the South Korean authorities arrested woman Ko Ae-sun, member of the South headquarters of the National Alliance For the Country's Reunification, on the charge of the violation of the "National Security Law" and made her have a baby born dead. It urged the South Korean authorities to cancel the prosecution of Ko Ae-sun, compensate her, immediately investigate the case and respect human rights and freedom in term of the international law.

**DPRK Paper Urges Reunification by Great National Unity**

SK2907101896 *Pyongyang KCNA in English*  
1005 GMT 29 Jul 96

["Reunification by Great National Unity Called For" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 29 (KCNA) — The way for the nation's existence and reunification is the great unity of the whole nation around the respected Comrade Kim Chong-il, who is the lodestar of national reunification and a gifted great commander. Cherishing this deep in their mind, the entire Korean people in the North, South and abroad should unite closer around him and vigorously march toward reunification.

NODONG SINMUN stresses this in a signed article today.

The great leader Comrade Kim Chong-il is now developing onto a new higher stage the cause of great national unity that the great leader Comrade Kim Il-song started and worked heart and soul to carry into practice, the paper notes, and goes on:

"The most important task facing the Korean people at present is to rally themselves closer around Comrade Kim Chong-il in order to accomplish the cause of national reunification at an early date.

The firm unity of the entire nation around him is a decisive guarantee for the reunification of the country.

His august name has become an imperishable symbol of great national unity.

The most important thing in reunifying the country is to achieve the great unity of the nation.

The guideline for this unity is the Ten-Point Programme of Great National Unity advanced by Comrade Kim Il-song.

Everyone who loves the country and the nation and hopes for reunification should actively support and respond to this programme.

The entire nation should strive to carry into practice the confederacy formula, the best way for the reunification of the country.

At present, nothing is more urgent than to defend peace of the country and open the road toward the peaceful reunification by the unity of the whole nation.

There are still many hardships and obstacles in the way of national unity and reunification. But we are sure to win as we are guided by Comrade Kim Chong-il.

**DPRK Daily Criticizes Japanese Policy on 'Comfort Women'**

SK2907071496 *Pyongyang KCNA in English*  
0506 GMT 29 Jul 96

["Deceptive Artifice Will Not Work" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, 29 July [KCNA] — Some time ago, the Japanese Government decided to give up a million yen to the former "comfort women for the army" who stay alive in ten years through "support organisations."

Branding this decision as a vicious artifice to shirk its state responsibility and compensation, a news analyst of NODONG SINMUN today says:

No content of state responsibility and compensation is included in "support money for life" which the Japanese Government offers to give in the form of "nursing fees" and "housing fees" through "support organisations", alleging that they cannot supply treasury funds directly to each survivor. What the survivors demand is not "support money for life" through "support organisations," but is that Japan should admit state responsibility and make state compensation.

Their demand is supported by international public circles.

Under this condition, the Japanese authorities intend to gag the survivors and international public circles by hook or crook.

As for the time of payment of support money, it cannot be viewed as one for the good of the survivors.

Almost all survivors are over 70 years old and are infirm and ailing. Defying this fact, the Japanese Government decided to give support money for life in ten years.

What is the Japanese authorities' intent is that when survivors die, they would stop "support money for life", under the pretext of their death.

It is also unclear that they would pay "support money" through "support organizations." As the targets of compensation are clear, treasury money must directly be supplied to the survivors. There is no need to deal with this through non-governmental organizations.

"Support money for life" is neither (?support) compensation nor is it enough to weaken their grudges.

**DPRK Paper Assails Japan for 'Interference' in 4-Way Talks**

SK3007063696 *Pyongyang KCNA in English*  
0433 GMT 30 Jul 96

[FBIS Transcribed Text] Pyongyang, July 30 (KCNA) — NODONG SINMUN today condemns the Japanese reactionaries for their interference in the "four-way talks".

Rightwing forces of the Japanese Government and some personages of the ruling party said that they "support the four-way talks" and that North Korea should respond to it and then "it will be possible to discuss the relations between the DPRK and Japan".

The analyst says:

Japan has neither justification nor qualification to poke its nose into the "four-way talks" issue. As we declared several times, the issue is our concern.

The Japanese authorities have responded to all things the South Korean puppets asked for. And they went the length of speaking for the latter.

This time Japan has taken the unpaid job of speaking for a colonial stooge, risking disgrace and shame.

In Japan there must be no politicians who have the self-confidence and courage to refuse to meet the South Korean puppets' request.

No matter how the Japanese reactionaries may complain, we will go our own way.

Japan would be well-advised to mind its own business rather than to poke its nose into other's affairs. Its priority is to atone for its past.

Japan is the only country in the world which refuses to make an apology, reparation and compensation for its shocking crimes against humankind.

Japan, therefore, has neither justification nor qualification to talk about any international issue.

**DPRK: Moscow Ceremony Ends Russia-Korea Month of Solidarity**

SK2907052796 *Pyongyang KCNA in English*  
0440 GMT 29 Jul 96

[FBIS Transcribed Text] Pyongyang, July 29 (KCNA) — A meeting was held in Moscow on July 25 to close the June 25-July 27 Month of International Solidarity with the Korean people.

Speaking at the meeting were the Secretary of the Communist Workers' Party of Russia Central Committee Yuriy Tserentsiyev, war veterans and others.

The speakers referred to the solidarity activities in Russia during the month this year and to their significance.

Noting socialism is steadfast and reunification will be achieved without fail in Korea, led by the Great Leader Comrade Kim Chong-il, they said they would contribute to hastening Korea's reunification by conducting the movement for international solidarity with the Korean people more vigorously.

**DPRK: Visiting Brazilian Official Sends Gift to Kim Chong-il**

SK2607125196 *Pyongyang KCNA in English*  
1115 GMT 26 Jul 96

[FBIS Transcribed Text] Pyongyang July 26 (KCNA) — The great leader Comrade Kim Chong-il received a gift from the chairman of the Brazilian Democratic Movement on a visit to Korea. [word indistinct] the gift was conveyed to secretary of the Workers' Party of Korea Central Committee Hwang Chang yop by Chairman Antonio Paes de Andrade.

**DPRK: WPK Sends Greetings to Gathering of Caribbean Leftists**

SK2707060796 *Pyongyang KCNA in English*  
0429 GMT 27 Jul 96

[FBIS Transcribed Text] Pyongyang, July 27 (KCNA) — The Central Committee of the Workers' Party of Korea [WPK] sent a message of greetings to the 6th Congress of the Leftist Parties of Latin America and Caribbean Region on July 26.

The message expressed firm support and solidarity for their efforts against domination, subordination and interference of imperialists and for social justice and democracy, national independence and socialism.

Expressing the belief that the friendly relations between the WPK and the leftist parties of Latin America and Caribbean region will further strengthen and develop in the idea of independence, peace and friendship, the message sincerely wished them greater success in the work of the congress to jointly cope with "new liberalism" policy of imperialism and to strengthen the regional unity and cooperation, mutual support and solidarity.



**DPRK: Foreign Investment in Najin-Sonbong Trade Zone Viewed**

SK3007102996 *Pyongyang KCNA in English*  
1019 GMT 30 Jul 96

["Golden Triangle Draws Interests of Investors" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 30 (KCNA) — The Najin- Sonbong Free Economic and Trade Zone in the northern part of Korea has been under development.

Not a few investors have already invested in infrastructure construction and many other projects.

The first investors are large companies and banking organs of China, Japan, Hong Kong, Britain, Netherlands, the United States, Russia and other countries and regions.

As of May 1996, the United Nations Development Program, the United Nations Industrial Development Organization and 21 other bodies and companies discussed investment and invested tens of millions of dollars in infrastructure construction, service establishment, manufacturing industry, banking business and tourism.

With the Cold War terminated, a lasting peace has been guaranteed in the zone. The DPRK's proposal for the replacement of the Armistice Agreement, signed by the DPRK and the U.S. in 1953, with a peace agreement and progress in the DPRK-U.S. dialogue have implied the political stability of this zone.

The "Law on Foreign Investment" and ten other laws and 21 regulations have been made public to consolidate the legal foundations of the zone. It has been planned to increase such laws and regulations to some 100.

The Najin-Sonbong area is an intersection in business links leading to mainland China, Russia, Japan, the U.S., Canada and other countries through land and marine transport.

The area has ports with a capacity of several million tons. The ports' water is unfrozen in winter.

China's Yanbian Marine Transport Company invested \$2 million in Najin port and launched containers relay in December last year. China wants to relay through the port coking coal which it has transported to Japan through Dalian port.

Russia's Daltsin Company set up an office in Najin port and began freight relay with an investment of \$5 million.

Mitsui Companies of Japan have chosen sites of heavy chemical industrial projects and expressed their willingness to invest in the projects.

The golden triangle has been kept open to all the investors.

In the zone they can take a mode of market economy or any other choice they want. The currency circulation and change rate would be suitable to the structure of the market, demand and supply.

**DPRK: Kim Chong-il Receives Solidarity Message From 'Arafat**

SK2907094196 *Pyongyang Korean Central Broadcasting Network in Korean*  
2100 GMT 25 Jul 96

[FBIS Translated Text] Comrade Kim Chong-il, the great leader [widaehan yongdoja] of our party and people, received a solidarity message from Yasir 'Arafat, president of the State of Palestine, chairman of the PLO Executive Committee, and head of the Palestinian National Authority, on the occasion of the month of international solidarity with the Korean people.

The message is as follows:

Pyongyang.

To your excellency Marshal Kim Chong-il, chairman of the DPRK National Defense Commission and supreme commander of the Korean People's Army:

I send warm greetings. On the occasion of the month of solidarity with the friendly Korean people, I send my most sincere, lofty, and enthusiastic greetings to your excellency and to your country's government, as well as to the friendly people of your country, through your excellency on behalf of the Palestinian people, its leadership, and myself. In addition, I am happy that I am able to express the sincere emotion of fraternal solidarity.

On the occasion of this important period of solidarity, I would like to tell you, your excellency, that I am sending firm solidarity to the DPRK party, government, and people who are advancing to achieve the fatherland's peaceful reunification under your excellency's leadership.

The militant, progressive, and peace-loving people express solidarity with your country's people on the occasion of this period of solidarity. This proves they support and encourage the efforts of your country's people to realize the country's reunification; to make the Korean peninsula into a place where there are no major weapons of mass destruction; and to achieve stability, security, and peace in this region.

Our militant Palestinian people, who are linked with your country's people through ties of solid militant unity

and close friendly and cooperative relations, have great pride in the fact that the DPRK party, government, and people, who are receiving your excellency's wise leadership, send firm solidarity and support to our Palestinian people who are struggling for freedom, independence, and sovereignty, and who express deep gratitude in this matter.

Today, the first measure along the road of our people's struggle to establish an independent state, with the sacred Quds as its capital, is to mobilize all its capability and potentiality to strengthen the basis and foundation of a democratic system and national regime in order to rebuild the fatherland and create a national institute. By doing so, we have entered a new stage in building important facilities and economics.

In such an important and acute stage, we are faced with difficult conditions and great challenges. We hope your country's people, all the people of friendly countries, and the people of the peace-loving world will continue to support, encourage, and express solidarity in our efforts to adhere to and continue to promote the peace process in this region. This will make it possible for our Palestinian people to put an end to Israel's occupation of their land and sacred locations; to restore firm national rights; and to achieve a fair, square, and all-out peace which guarantees the stability, security, progress, and prosperity of the country and people.

I once again send my most sincere greetings to your excellency. I sincerely pray for your excellency's long life and happiness. I send sincere solidarity and fraternal support to the DPRK people who vigorously advance for the fatherland's reunification as well as for greater progress, prosperity, and welfare.

I send my lofty respect and sincere prayer.

[Signed] Yasir 'Arafat, president of the State of Palestine, chairman of the PLO Executive Committee, and head of the Palestinian National Authority

[Dated] 4 July 1996, Gaza

#### **DPRK: 'Song of Faith' Praising Kim Chong-il Introduced**

*SK2807023996 Pyongyang Korean Central Broadcasting Network in Korean  
2230 GMT 25 Jul 96*

[Music and article: "Song of Faith To Uphold the Great General"]

[FBIS Report] This nine-minute combination of music and an article introduces the song "We Will Uphold Our General Forever," which praises Kim Chong-il. The article begins by citing one of Kim Il-song's teachings:

"I firmly believe that you comrades will loyally uphold the leadership of Comrade Kim Chong-il in the future, and will vigorously fight for the completion of the socialist cause and the chuche revolutionary cause."

The article introduces the lyrics of "We Will Uphold Our General Forever," which first discuss Mt. Paektu, the alleged birthplace of Kim Chong-il. The article then states: "The people cry out from their hearts: The respected and beloved General Kim Chong-il [kyongae-hanun kimjongil changgunnim] is the only one who will glorify the cause of the sun, the revolutionary cause of the fatherly leader."

Justifying the lyrics singing about the people's happy life brought about by Kim Chong-il, the article notes Kim Chong-il's on-the-spot guidance and construction of monumental buildings, and cites his visit to the Kungol Mine, where Kim Chong-il did not mind going to the very bottom of the mine.

The article concludes that every phrase of the song gives the people confidence that Kim Chong-il will lead them to victory.

#### **DPRK: Kim Chong-il Sends Flowers to Martyrs' Cemeteries**

*SK2707115196 Pyongyang KCNA in English  
1018 GMT 27 Jul 96*

[FBIS Transcribed Text] Pyongyang, July 27 (KCNA) — Senior party, state and army officials, servicemen, working people and youth and students today laid wreaths in the Revolutionary Martyrs' Cemetery on Mt. Taesong and the Patriotic Martyrs' Cemetery and floral baskets, bouquets and flowers before the monument to victory in the fatherland liberation war, on the occasion of the 43rd anniversary of the victory in the great fatherland liberation war.

A basket of flowers sent by the great leader Comrade Kim Chong-il, chairman of the DPRK National Defence Commission and supreme commander of the Korean People's Army (KPA), was placed before the sculpture "victory", the main theme of the monument. And wreaths from him were also seen in the martyrs' cemeteries.

Laid there were floral baskets and wreaths in the name of the Central Committee of the Workers' Party of Korea [WPK], the DPRK Central People's Committee, the Administration Council (AC), the Ministry of the People's Armed Forces, public security organs, and commissions and ministries, working people's organizations, central organs, and others.

Present at the ceremonies were Yi Chong-ok, Kim Yong-nam, Kye Ung-tae, Cho Myong-nok, Kim Yong-chun and other party, state and army cadres.

**DPRK: Kim Chong-il Extolled as Excellent Theorist**  
SK3007114696 *Pyongyang Korean Central*  
*Broadcasting Network in Korean* 2225 GMT 27 96

[Unattributed talk: "The Great Leader Comrade Kim Chong-il Is an Outstanding Ideologist and Theorist"]

[FBIS Translated Text] The great leader [yongdoja] Comrade Kim Chong-il is an outstanding ideologist and theorist who possesses an incomparably extraordinary ideological and theoretical insight and who brightly shows a path to the independent cause and socialist cause of our time.

The great leader Comrade Kim Il-song taught: Comrade Kim Chong-il is a genuine leader [yongdoja] of the people who possesses literary and military arts, loyalty, and filial piety. He is an outstanding ideologist, theorist, politician, and military strategist as well as the model of a faithful retainer and good son who is indefinitely loyal to the fatherland and the people. The basis of the leader's [suryong] greatness is that of ideology and theory. The leader [suryong] comes to possess a firm authority as the supreme brain of the popular masses and the center of unity and leadership by analyzing, synthesizing, and systemizing the needs and interests of the popular masses, then suggesting scientific ideologies and theories.

Only a great leader [yongdoja] equipped with an excellent ideological and theoretical insight can show the people the correct road to victory and can lead a difficult and intricate revolution at the front, without bias.

The ideology and theory suggested by the great leader [yongdoja] Comrade Kim Chong-il are the most valuable ideology and theory of the revolution of our time, which provide a perfect answer to all theoretical and practical problems that emerge in firmly adhering to the socialist cause and in completing it to the end; it is the immortal ideology and theory which will radiate for good.

The greatness of the ideology and theory suggested by the great leader [yongdoja] Comrade Kim Chong-il consists, above all, in the fact that it is consistent with perpetual loyalty and inheritance to the leader [suryong], who pioneered the revolutionary road for the first time and who provided the revolutionary guiding ideology, and to his cause.

The most significant duty of the leader [yongdoja] to inherit and to complete the revolutionary cause is to continuously suggest ideologies and theories coherent

with loyalty to the leader [suryong] who pioneered the revolutionary road for the first time.

To inherit ideology is the basis for the implementation of the revolutionary cause, which continues from generation to generation. Only the ideology and theory coherent with loyalty to the leader [suryong] can be an ever-victorious weapon to persistently advance the revolutionary cause with no ups and downs, and can perpetually radiate the revolutionary ideology of the leader [suryong].

In the revolution of our time, the great leader Comrade Kim Il-song's ideology becomes that of the great leader [yongdoja] Comrade Kim Chong-il. This is because all ideology and theory suggested by the great leader [yongdoja] Comrade Kim Chong-il are systemized, unfolded, improved, and enriched by thoroughly having the revolutionary ideology and chuche ideology of the great leader [widaehan suryongnim] as the starting point.

From the early days, the great leader [yongdoja] Comrade Kim Chong-il, who possesses a loyalty to the beloved and respected leader as the motto for all struggles and activities, formulized the great leader's [widaehan suryongnim] revolutionary ideology; clearly expounded its status; and utterly possessed all activities of ideology and theory subjugated in adhering to, improving, and enriching the great chuche ideology.

All ideology and theory suggested by the great leader [yongdoja] Comrade Kim Chong-il, including theories of party construction, state construction, economic and cultural construction, and revolutionary forces construction, are coherent and are penetrated with the revolutionary ideology of the great leader [widaehan suryongnim].

The greatness of our party's ideology and theory, which is coherent with persistent loyalty to the leader [suryong] and his cause, is intensively incorporated in the recent slogan "Let's far more steadfastly arm ourselves with the great leader Comrade Kim Il-song's revolutionary ideology." In this slogan are included the great leader [yongdoja] Comrade Kim Chong-il's stern determination and volition to advance by cleaving to the beloved and respected leader's revolutionary ideology as the sole guiding ideology of our party and revolution, in the future as well as today, and his volition to perpetually illuminate our fatherland with the great leader's name.

As long as there exists the great leader's [yongdoja] revolutionary ideology and theory, which is coherent with loyalty to the leader, then the chuche character of our party and revolution will be held fast, and the chuche



ideology will permanently radiate with the advancement of time.

The greatness suggested in the ideology and theory of the great leader [yongdoja] Comrade Kim Chong-il consists of its clear-cut sense of the times and its ingenuity, which is consistent with new discoveries and innovations. A sense of the times and ingenuity are the vitality of ideology and theory.

Only a creative ideology and theory that meets the requirements of the developing era, and that provides perfect answers to theoretical and practical problems presented by concrete reality, are able to dynamically lead the revolution and construction, and are able to guide the struggle and activity of the popular masses.

Today's revolutionary people hold our party's ideology and theory as a valuable ideological and spiritual staff; therein do they seek their future to proceed. This is because the ideology and theory of the great leader [yongdoja] Comrade Kim Chong-il provides scientific answers to all problems that arise from the revolutionary struggle of our times.

The recent works "There Is No Wedge to Socialism" and "Socialism Is Science" eloquently bear out how the ideology and theory suggested by the great leader [yongdoja] Comrade Kim Chong-il reflect the requirements of the era.

In these works, which are consistent with the profound analysis and iron-willed logic that are clearly expounded, lie the principle matters that arise from smashing the maneuvers of the imperialists and reactionaries to denounce and eradicate the socialist ideology as a science, in the process glorifying and holding fast the socialism of our times.

With the publication of the valuable works of the great leader [yongdoja] Comrade Kim Chong-il, the revolutionary people are able to more vigorously advance along the road of independence and socialism with a persistent belief in the scientific nature, veracity, invincibility, and perpetuity of socialism.

The ideology and theory of the great leader [yongdoja] Comrade Kim Chong-il displays great vitality with its clear-cut sense of the times and its ingenuity. All ideology and theory presented by the great leader [yongdoja] Comrade Kim Chong-il is new and unique, including the theory of the single-minded unity of the leader, the party, and the popular masses; the revolutionary outlook of the leader; the politics of love and the belief or politics of benevolence and virtue; and the inheritance and development of the revolutionary tradition.

The greatness of the ideology and theory suggested by the great leader [yongdoja] Comrade Kim Chong-il also lies in that it is an encyclopedic ideology and theory that indefinitely retains a profound and abundant content.

The popular masses' cause for independence and the cause for socialism advance and finish through the process of implementing numerous historical tasks of that are intricate and distressing at various stages.

Therefore, the leader [yongdoja] who leads the revolution at the front should present the ideology and theory which offers scientific explanation to the practical matters emerging in all sectors and domains, as well as to theoretical and practical matters of each stage of the revolution and construction.

The abundant and encyclopedic nature of ideology and theory is a crucial hallmark for the ideology and theory of the leader [yongdoja] who guides the times. Only the leader who follows the road with this ideology and theory can lead us to victory, taking charge of the overall revolution and construction.

The great leader [yongdoja] Comrade Kim Chong-il has expounded the ideology and theory which should be taken as guidance in any given sector and domain, from such crucial and principle matters as party, state, and revolutionary forces constructions arising from the revolution and construction to the concrete traits and qualifications each individual executing revolution should be equipped with.

The great leader [yongdoja] Comrade Kim Chong-il's ideology and theory contains extraordinarily abundant and incomparably profound meaning. They are examined and unfolded at a new level of the chuche era, in which are extensively reflected the requirements of reality development and the popular masses, as well as the lessons and experiences accumulated along the long historical path of our revolution and communist movement.

The ideology and theory presented by the great leader [yongdoja] Comrade Kim Chong-il are systematically unfolded with enlightened logic and are clearly expounded for the masses to easily understand.

The ideology and theory of the great leader [yongdoja] Comrade Kim Chong-il are indeed the supreme essence for the development of mankind's ideology and theory. The leader's [yongdoja] ideology and theory are the life line of the revolution.

Only victory and glory will always shine for the future of our people who hold the great leader [yongdoja] Comrade Kim Chong-il, an outstanding ideologist and theorist produced by mankind, at the front of the party



and the revolution, and who vigorously advance along the chuche road.

**DPRK: Military Leaders at Rally Pledge Loyalty to Kim Chong-il**

SK2907110096 *Pyongyang Korean Central Broadcasting Network in Korean*  
2200 GMT 27 Jul 96

[FBIS Translated Excerpt] On the 43d anniversary of victory in the fatherland liberation war, Army, Navy, and Air Force officers and men of the Korean People's Army [KPA] held a meeting in front of the victory sculpture, the monument to victory in the fatherland liberation war, to pledge their loyalty and resolution to prepare themselves as rifles and guns to devotedly protect the respected and beloved Supreme Commander Comrade Kim Chong-il like the heroic fighters of the 1950's. [passage omitted]

Present at the meeting were Comrade Cho Myong-nok, director of the KPA General Political Department and vice marshal of the KPA; Comrade Kim Yong-chun, chief of the KPA General Staff and vice marshal of the KPA; Comrade Kim Kwang-chin, first vice minister of the People's Armed Forces and vice marshal of the KPA; responsible functionaries of the Ministry of the People's Armed Forces; and officers and men of the Army, Navy, and Air Force. [passage omitted]

**DPRK: Grenada Names Kim Chong-il 'Honorary Political Leader'**

SK3007063396 *Pyongyang KCNA in English*  
0449 GMT 30 Jul 96

[FBIS Transcribed Text] Pyongyang, July 30 (KCNA) — The great leader Comrade Kim Chong-il received the certificate of honorary political leader from the Maurice Bishop Patriotic Movement of Grenada.

"Certificate of honorary political leader" is printed in gilt on the front cover of red color symbolic of the political ideal of the movement.

The letters "Comrade Kim Chong-il, great successor to the revolutionary cause of chuche and outstanding leader of the Korean people and the third world peoples" are printed in bold relief on the first page.

Written on the second page are the following letters:

"The executive committee of the Maurice Bishop Patriotic Movement of Grenada has unanimously decided to hold high as honorary political leader of its movement the great leader Comrade Kim Chong-il, on his 54th birthday, who makes outstanding contribution and per-

forms immortal exploits for the development of the Korean people and the third world peoples and the accomplishment of the independent cause under the uplifted banner of the chuche idea and confers on him the certificate of honorary political leader. [Signed] Terrence A. Maryshow [Dated] February 12, 1996 [Location] S. George's."

**DPRK: Kim Chong-il, Others Send Flowers to Mansu Hill**

SK2707114296 *Pyongyang KCNA in English*  
1014 GMT 27 Jul 96

[FBIS Transcribed Text] Pyongyang, July 27 (KCNA) — Working people, servicemen, students and schoolchildren laid floral baskets, bouquets and flowers before the statues of the great leader President Kim Il-song across the country today on the occasion of the 43rd anniversary of the victory in the great fatherland liberation war.

Placed before the statue of President Kim Il-song on Mansu Hill in Pyongyang was a basket of flowers sent by the great leader Comrade Kim Chong-il, chairman of the DPRK national defence commission and supreme commander of the Korean People's Army [KPA].

Also laid before the statue were floral baskets in the name of party and government bodies, administrative and economic bodies, public organizations, central organs, commissions and ministries of the Administration Council, units of the KPA and the Korean People's Security Forces, public security organs, and scientific, educational, cultural and art, public health and press organs, industrial establishments and farms, as well as floral baskets, bouquets and flowers in the name of the anti-Japanese revolutionary veterans, the war veterans, heroes and heroines, workers, peasants, intellectuals and other working people and families.

Meanwhile, working people, servicemen, youth and students across the country laid baskets, bouquets and flowers before statues of President Kim Il-song in their residential places and paid homage to him.

**DPRK: Foreigners Send Kim Chong-il Messages on Death Anniversary**

SK3007052096 *Pyongyang KCNA in English*  
0445 GMT 30 Jul 96

[Names as received]

[FBIS Transcribed Text] Pyongyang, July 30 (KCNA) — The great leader Comrade Kim Chong-il received a telegram from Angolan President Jose Eduardo Dos Santos on the second death anniversary of the great leader President Kim Il-song.

He also received telegrams from general secretary of the National Progressive Unionist Party of Egypt Rifaat es-Said, first secretary of the C.C. [Central Committee], the Communist Party of Ukraine P.N. Simonenko, general secretary of the Democratic Youth Revolutionary Party of Burkina Faso Toe De Stanislas, general secretary of the C.C., the Workers' Party of Bangladesh Rashed Khan Menon, general secretary of the CJMC, the Communist Party of Bangladesh Muahdul Islam Selim, chairman of the executive committee of the "Working Russia" movement Viktor Anpilov and chairman of the Liberal Democratic Party of Russia V.V. Zhirinovski.

The telegrams noted that President Kim Il-song was an outstanding leader of the world revolution who devoted his all to the people's freedom and happiness, world peace and human welfare.

They expressed the belief that great progress will be made in the Korean people's chuche cause, socialism under the distinguished leadership of Comrade Kim Chong-il.

#### **DPRK: ROK Students Arrested for Showing Video of Kim Il-song**

*SK3007103296 Pyongyang KCNA in English  
1012 GMT 30 Jul 96*

[FBIS Transcribed Text] Pyongyang, July 30 (KCNA) — The "civilian" fascist clique arrested on July 27 a student at Sangji University in South Korean Kangwon Province Kim Yun-pong and a serviceman Yo Chun-song and five others by invoking the "National Security Law", the Seoul-based Radio No. 1 said.

The detainees, who are students or graduates of the university, are said to have awakened new-comers and juniors with video tapes recording the biography of the great leader President Kim Il-song.

The fascist clique criminalize this activity.

#### **DPRK: Foreign Diplomats Lay Baskets at Kim Il-song Statue**

*SK2707055996 Pyongyang KCNA in English  
0426 GMT 27 Jul 96*

[FBIS Transcribed Text] Pyongyang, July 27 (KCNA) — The military attaches corps and economic and commercial councillors corps here laid floral baskets before the statue of the great leader President Kim Il-song on Mansu Hill on the occasion of the 43d anniversary of the victory of the fatherland liberation war.

Written in the ribbons were the letters the great leader Comrade Kim Il-song is Immortal" and "His Excellency the Great Leader President Kim Il-song is Immortal."

#### **DPRK: Servicemen Visit Kumsusan, Pay Respects to Kim Il-song**

*SK2807101196 Pyongyang KCNA in English  
1004 GMT 28 Jul 96*

[FBIS Transcribed Text] Pyongyang, July 28 (KCNA) — Officers and men of the three services of the Korean People's Army [KPA] visited the Kumsusan Memorial Palace on July 27 on the occasion of the 43rd anniversary of the victory in the fatherland liberation war to pay homage to the great leader President Kim Il-song.

Among them were KPA Vice Marshal Cho Myong-nok, director of the General Political Department of the KPA, and KPA Vice Marshal Kim Yong-chun, chief of the General Staff of the KPA. Flags of the party, the DPRK and the KPA were placed and guards of honor of the KPA three services were lined up on both sides of the statue of President Kim Il-song.

A floral basket was laid before the statue in the joint name of the Central Committee of the Workers' Party of Korea [WPK], the Central Military Commission of the WPK, the National Defence Commission of the DPRK, the Central People's Committee and the Administration Council of the DPRK.

The officers and men of the KPA made salutes to the statue and made bows to President Kim Il-song who is preserved in state.

#### **DPRK: Members of SKNDF Leave Flowers on Mansu Hill**

*SK2807101396 Pyongyang KCNA in English  
1009 GMT 28 Jul 96*

[FBIS Transcribed Text] Pyongyang July 28 (KCNA) — The members of the Pyongyang mission of the National Democratic Front on South Korea [SKNDF] and overseas Koreans staying in the socialist homeland laid floral baskets before the statue of the respected leader President Kim Il-song on Mansu Hill on July 27 and made bows to him on the occasion of the 43rd anniversary of the victory in the great fatherland liberation war.

#### **DPRK: People Visit Kumsusan Memorial Palace on 27 Jul**

*SK2907103496 Pyongyang KCNA in English  
1022 GMT 29 Jul 96*

[FBIS Transcribed Text] Pyongyang, July 29 (KCNA) — July 27 is the day of the second liberation of Korea achieved by the great leader President Kim Il-song.

That day the Kumsusan Memorial palace, the sacred temple of chuche, was visited by many people.

Upon receiving the news that the palace is open to the public, they went to the palace with deep reverence for President Kim Il-song though it rained hard.

In the first one hour after the plaza was opened, some 15,000 people found themselves at the plaza.

What the visitors can see first, entering the plaza, is a portrait of their fatherly leader President Kim Il-song beaming like the sun, hung on the facade of the palace.

"I felt very sad over the death of the fatherly leader. Seeing his portrait, however, I am convinced that he is always with us."

"I will live in the way of the iron philosophy."

"I am a rifle defending General Kim Chong-il."

"Let us find our conscience dedicated to this valuable land restored by President Kim Il-song."

"We will always remain President Kim Il-song's posterity."

This is what all the visitors think at the plaza and what all other Korean people are feeling.

At the plaza the visitors feel very grateful to the great leader Comrade Kim Chong-il for their opportunity to visit the palace.

They are also deeply moved by the slogans "The great leader Comrade Kim Il-song will always with us!" and "Let us arm ourselves more firmly with the revolutionary ideas of the great leader Comrade Kim Il-song!" placed on either sides of the plaza, the ground paved with several hundred thousand granite pieces of different colors and sizes covering nearly 100,000 square metres and several large and tall multi-light lamps.

The plaza best in scale, form and quality in the world fully mirrors Comrade Kim Chong-il's strong will to demonstrate his predecessor's greatness and eternal life.

The Sacred Temple of Chuche, which many people visit thanks to the great benevolent politics of Comrade Kim Chong-il, provides a glimpse of Kim Il-song's Korea in which the leader and the people are in perfect harmony.

#### **DPRK: Copies of Kim Il-song Reminiscences Said Found in ROK**

SK2907102196 *Pyongyang KCNA in English*  
1010 GMT 29 Jul 96

[FBIS Transcribed Text] Pyongyang, July 29 (KCNA) — Copies of literature introducing the publication of "Vol. 7 (Posthumous Edition) of the First Part

the Anti-Japanese Revolution of 'With the Century', Reminiscences of the Great Leader President Kim Il-song," were found scattered along the Seoul-Suwon Express Highway, according to the Seoul-based radio Voice of National Salvation quoting information of the Kyonggi Provincial Committee of the National Democratic Front of South Korea (NDFSK) [SKNDF].

Written on the green front cover of the literature are words "Topping News — Vol. 7 of 'With the Century', the Reminiscences of World's Greatest Man, Has Come Off the Press."

On its back cover are words saying "Immortal book about life and exploits of great man. Book that stirs up excitement, joy, love and pleasure. Book of great man impossible to be read without tears and excitement. Let us read the reminiscences 'With the Century'."

Inside the copy there is a picture of Mt. Paektu, a sacred mountain of the nation. Against the picture there is an explanation on the left, saying "The respected leader Kim Chong-il made sure that the reminiscences 'With the Century', which reflects the heroic life of the peerlessly great man, President Kim Il-song, was published.

"The historic cause of editing the reminiscences is successfully carried forward thanks to the noble sense of loyalty, filial piety and morality of the respected leader Kim Chong-il."

Seen on the right are the titles of 1 section of the chapters under the headline "Vol. 7 (Posthumous Edition) of the First Part the Anti-Japanese Revolution of 'With the Century', Reminiscences of President Kim Il-song."

#### **DPRK: British Journalist Expresses 'Reverence' for Kim Il-song**

SK2907050796 *Pyongyang KCNA in English*  
0438 GMT 29 Jul 96

["Great Man Remains Alive" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 29 (KCNA) — Keith Bennet, political editor of the British newspaper ASIAN TIMES and director of the Board of the European Society for the Study of the Chuche Idea, in an interview with KCNA in Pyongyang, expressed his reverence for the Great Leader President Kim Il-song.

He said:

The president devoted all his life to the prosperity of Korea and the happiness of the people.

For the Korean people, the respected Comrade Kim Il-song was a tenderhearted father as well as head of the party and state.



His method of politics was characterized by love and devoted service for the people. That is why the Korean people are in so bitter grief over his death.

The Korean people are now keeping his benevolent image deep in their hearts with the badge of his portrait. I can say convincingly that he remains alive as a great man.

Voices of the world people praising him, who performed undying feats in realizing the human cause of independence, are loudly ringing out.

I am sure that the Korean people, true to the last instructions of the great president, will defend the banner of socialism to the end and make their country more powerful and rich, upholding the leadership of the Great Leader Comrade Kim Chong-il with loyalty.

**DPRK: Malaysian, Belgian Delegates Pay Homage to Kim Il-song**

SK2907002096 *Pyongyang KCNA in English*  
1005 GMT 28 Jul 96

[FBIS Transcribed Text] Pyongyang, July 28 (KCNA) — A delegation of the Malaysian labour organization led by Secretary General K. Sanmugam and Serge Francohoo, delegate of the Youth Organisation of the Belgian Labour Party, on Saturday visited the statue of the Great Leader President Kim Il-song on Mansu Hill, laid bouquets before it and paid homage to him.

**DPRK: Schoolchildren, 'Heroes' Lay Flowers at War Memorial**

SK2707113696 *Pyongyang KCNA in English*  
1010 GMT 27 Jul 96

[FBIS Transcribed Text] Pyongyang, July 27 (KCNA) — A meeting of schoolchildren in Pyongyang with heroes of the Republic was held at the monument to victory in the fatherland liberation war on July 25 on the occasion of the 43rd anniversary of the great fatherland liberation war.

Participants laid bunches of flowers before the "victory" sculpture, the main theme of the monument, and expressed respects to officers and men of the heroic Korean People's Army (KPA).

The heroes of the republic said at the meeting that the Korean people defeated the invasion of the allied forces of imperialism and defended the sovereignty of the fatherland and the gains of the revolution, thanks to the outstanding military idea and the tested leadership of the great leader Comrade Kim Il-song.

They noted that the nation's defence line is impregnable as the people's army has become invincible Armed

Forces under the wise leadership of general Kim Chong-il, the respected supreme commander.

The delegates of schoolchildren said that in case of emergency they will join the people's army in wiping out the enemy as human bombs to defend the general.

On the same day, an oratorical and poem recitation meeting of Pyongyang youth and students took place.

"Our Supreme Commander", "Korea Fights" and other poems were recited at the meeting.

**DPRK Leaders Attend Meeting on 43d 'Victory' Anniversary**

SK2707042896 *Pyongyang Korean Central Broadcasting Network in Korean*  
2100 GMT 26 Jul 96

[FBIS Translated Excerpt] A central report meeting was held at the 25 April House of Culture on 26 July to celebrate the 43d anniversary of the victory in the great fatherland liberation war. [passage omitted]

Present at the meeting were Comrade Yi Chong-ok, member of the Political Bureau of the Workers Party of Korea (WPK) Central Committee and vice president; Comrade Kim Yong-nam, member of the Political Bureau of the WPK Central Committee and vice premier of the Administration Council; Comrade Kye Ung-tae, member of the Political Bureau of the WPK Central Committee and secretary of the party Central Committee; Comrade Cho Myong-nok, vice marshal of the Korean People's Army (KPA) and director of the KPA General Political Department; Comrade Kim Yong-chun, vice marshal of the KPA and chief of the KPA General Staff; Comrade Kim Chol-man, alternate member of the Political Bureau of the WPK Central Committee; Comrade Choe Tae-pok, alternate member of the Political Bureau of the WPK Central Committee and secretary of the party Central Committee; Comrade Yang Hyong-sop, alternate member of the Political Bureau of the WPK Central Committee and chairman of the Supreme People's Assembly; Comrade Hong Song-nam, alternate member of the Political Bureau of the WPK Central Committee and vice premier of the Administration Council; Comrade Kim Chung-nin, secretary of the WPK Central Committee; Comrades Kim Pok-sin and Chang Chol, vice premiers of the Administration Council; Comrade Yun Ki-pok, chairman of the Economic Policy Commission of the Central People's Committee; Comrades Kim Kwang-chin, Paek Hak-nim, and Kim Ik-hyon, vice marshals of the KPA; Mrs. Yu Mi-yong, chairman of the Chondoist Chongu Party Central Committee; responsible functionaries of party and power organs, military organs, social security



organs, and working organizations; anti-Japanese revolutionary veterans; generals and officers of the KPA; heroes; model fighters; and labor innovators. [passage omitted]

**DPRK: Cadres Offer Floral Baskets at War Victory Monument**

SK2807091196 *Pyongyang Korean Central Broadcasting Network in Korean*  
2100 GMT 27 Jul 96

[FBIS Translated Text] On the occasion of the 43d anniversary of the victory in the great fatherland liberation war, the party and government cadres, the soldiers of the People's Army, working people, and youths and students offered floral baskets to the monument to victory in the fatherland liberation war on the morning of 27 July.

The floral basket sent by Comrade Kim Chong-il, chairman of the DPRK National Defense Commission, supreme commander of the Korean People's Army [KPA], and the great leader of our party and our people, was placed in front of the sculpture of victory, the main theme of the monument.

KPA honor guards were standing beside the monument. Participating in the offering of the floral baskets were Comrade Yi Chong-ok; Comrade Cho Myong-nok; Comrade Choe Tae-pok; Comrade Chang Chol; Comrade Kim Ik-hyon; responsible functionaries of the party; power organs; administrative and economic organizations; armed forces organs; public security organs; working people's organizations; central organs; and educational, cultural, art, public health, and publication and reporting sectors; KPA general-grade officers and soldiers; public security officials; working people; and youths and students.

While the music for offering a floral basket was played, the floral baskets were offered in the name of the Central Committee of the Workers Party of Korea; the DPRK Central People's Committee; the Administration Council; the Ministry of the People's Armed Forces; the committees and ministries of the Administration Council; working people's organizations; central organs; KPA units; educational, cultural, art, public health, and publication and reporting organizations; party and power organs; administrative and economic organizations; working people's organizations; public security organs; and plants in Pyongyang.

Written on the ribbons on the floral baskets was the passage "Victory and glory be with the heroic officers and men of the KPA."

The soldiers of the People's Army, working people, and youths and students offered bouquets and flowers.

The participants paid sublime tribute to the officers and men of the heroic KPA, who fought at the cost of their lives for the party, the leader, the country, and the people in the fatherland liberation war under the wise leadership of the great leader Comrade Kim Il-song. They repelled the combined forces of imperialism and honorably defended the liberty and independence of the country and the gains of the revolution.

The participants toured the monument.

**DPRK: Military Pledges Loyalty at War Anniversary Celebration**

SK2807105296 *Pyongyang KCNA in English*  
1033 GMT 28 Jul 96

[FBIS Transcribed Text] Pyongyang, July 28 (KCNA) — Korea has significantly celebrated the 43rd anniversary of the victory in the great fatherland liberation war.

Officers and men of the three services of the Korean People's Army [KPA] met in front of the sculpture "Victory", the main theme of the monument to the victory in the fatherland liberation war on July 27 to pledge their loyalty.

At the meeting the speakers said that the victory in the fatherland liberation war was a brilliant victory of the great leader Generalissimo Kim Il-song's unique military idea, rare commanding art and chuche-based war method and a precious fruition of the singlehearted unity of the Korean people and the People's Army officers and men around him.

They called upon all the People's Army officers and men to follow the spirit displayed by the heroic soldiers in defending their leader with their lives in the period of the fatherland liberation war and train themselves to be bodyguards who will defend the respected supreme commander Comrade Kim Chong-il in the same spirit that O Chung-hop Seventh Regiment displayed in defending Comrade Kim Il-song with their lives, under the loyal slogan "Let Us Defend With Our Lives the Headquarters of Revolution Headed By the Great Comrade Kim Chong-il!"

Those present at the meeting shouted loud and clear messages, including "Let Us Follow the First and Second Generations of Revolution and Become Human Bombs to Defend the Respected Supreme Commander!"

In the evening a dancing party of the Ministry of the People's Armed Forces took place in the Chonsong Square.

Officers and men of the People's Army danced to the tune of songs, including "Glory to the Dear Leader," "With the Dear Leader," "We Will Remain Faithful to Party's Leadership" and "Let Us Uphold Our Supreme Commander With Arms".

Attending the events were Cho Myong-nok, director of the general political department of the Korean People's Army; Kim Yong-chun, chief of the General Staff of the KPA; and leading officials of the Ministry of the People's Armed Forces.

On July 27 students in Pyongyang held a concert of wartime songs at the open-air theatre in the youth park at the foot of Moran Hill to celebrate July 27 and the art propaganda team of workers of the Central Committee of the General Federation of Trade Unions of Korea gave a performance at the Central House of Workers to celebrate the 43rd anniversary of the victory in the great fatherland liberation war.

On the same day art performances were given at capital and local theatres to celebrate war victory day.

Put on the stage were wartime songs and colorful music and dance pieces.

Revolutionary and national operas and acrobatic shows were performed.

#### **DPRK: Party, State, Army Leaders Attend Wreath-Laying Ceremonies**

SK3007105196

[FBIS Report] Pyongyang Korean Central Broadcasting Network in Korean at 2100 GMT on 27 July carries two reports on the wreath-laying ceremonies which were held at the Taesongsan Revolutionary Martyrs' Cemetery and the Patriotic Martyrs' Cemetery on the occasion of the 43d anniversary of the victory in the fatherland liberation war.

In a two-minute report on the wreath-laying ceremony held at the Taesongsan Revolutionary Martyrs' Cemetery on 27 July, the radio reports that the leaders who were present at the ceremony were "Comrade Kye Ung-tae; Comrade Kim Yong-chun; Comrade Kim Chol-man; Comrade Kim Chung-nin; Comrade Yun Ki-pok; and Comrade Paek Hak-nim."

The radio then carries a two-minute report on the wreath-laying ceremony, which was held at the Patriotic Martyrs' Cemetery on the same day. The radio reports "Comrade Kim Yong-nam, Comrade Yang Hyong-sop, Comrade Kim Pok-sin, Comrade Kim Kwang-chin, and Ms. Yu Mi-yong" were present at the ceremony.

#### **DPRK: 'Thorough' Establishment of Antiflood Measures Reported**

SK3007063796

[FBIS Report] Pyongyang Korean Central Broadcasting Network in Korean at 1200 GMT on 25 July carries a brief report on the completion by the Yomju Reclaimed Tideland Construction Complex of embankment and drainage works in the reclaimed tideland in (Taegye-do) Island. The report says: "The Yomju Reclaimed Tideland Construction complex has successfully completed construction of 45-ri long intermediate embankments, river embankments, and some 10 drainage gates on (Taegye-do) Island. As a result, outstanding conditions have been provided so that farming can be carried out in this 3,900 chongbo-wide reclaimed tideland without having to worry about any flooding or heavy rains."

The radio also carries a brief report on the Yokpo-kuyok District in Pyongyang city accelerating the establishment of thorough measures against the rainy season. The report says that the readjustment and strengthening of irrigation facilities have been completed so that they can be used without delay in the rainy season.

The report also says that Yokpo-kuyok has completed the work of repairing and strengthening the 400 meter-long embankment along the Mujin River (in Pyongyang) and that cooperative farms in this district have also completed the work of strengthening embankments in an effort to cope with the rainy season.

Pyongyang Korean Central Broadcasting Network in Korean at 1200 GMT on 28 July carries a brief report on measures established to prevent damage from heavy rain in Myongchon County, North Hamgyong Province. The report says that party members and the working people of the irrigation management station of Myongchon County, North Hamgyong Province have properly established measures to prevent grain damage from heavy rains by thoroughly checking irrigation facilities and structures and establishing measures for repairing and readjusting them.

#### **DPRK: Floods, Heavy Rains Hit North, South Hwanghae Provinces**

OW3007000196 *Pyongyang KCNA in English*  
2231 GMT 29 Jul 96

["DPRK Areas Hit by Floods" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 29 (KCNA) — North and South Hwanghae provinces and some other areas of the DPRK have been hit hard by heavy rains.

It rained almost everyday since the rainy season began on July 15. Precipitation rapidly increased in late July.

Between July 24 and 27, the low pressure and cold front originating from the middle of the Yellow River of China moved to the North of Korea and intensified the rainy front which stayed in Pyongyang and South Phyongan, North and South Hwanghae Provinces, causing heavy rains and thunder-accompanied showers.

The precipitation in North and South Hwanghae Provinces was as much as 475-730 millimetres.

1.5 times as much rain as the average July precipitation fell in Haeju area. In Thosan County, the amount of rain of July 27 was 43 millimetres more than that of August 18 last year, a record high.

Heavy rains poured in Kaesong municipality, Kangwon, North Phyongan and Jagang provinces and other parts of Korea.

The unprecedentedly heavy rains seriously damaged vast areas of the country.

Haeju City, Pyoksong, Pongchon, Yonan and Chongdan counties and other parts of South Hwanghae Province, Songrim City, Thosan, Kumchon and Koksan counties and other parts of North Hwanghae Province, Chollwon, Phyonggang, Ichon and Sepho counties and other parts of Kangwon Province and Kaesong Municipality were hit hardest.

Unexpected floods caused heavy losses of human lives.

Dwellings, public buildings, coal and ore mines, industrial establishments, facilities and paddy and nonpaddy fields were submerged, buried or washed away.

The water of the Yonhan Reservoir overflowed into the Hwangju stream, so that dwellings in several parts of Songrim City, the Hwanghae iron complex and many facilities were flooded. As a result, production was suspended at the complex.

The township of Thosan County was submerged one metre deep.

The floods swept the crops that had ruled good in Yonbaek plain and other granaries on the western coast. So, crops will not be harvested as planned.

Some sections of the motorway between the capital city of Pyongyang and the demarcation line city of Kaesong were destroyed. This makes transport along this route impossible.

Railway service was suspended with some parts of railways between Haeju and Pyongyang and between Pyongyang and Kaesong inundated or destroyed.

In this period, five bridges were cut or destroyed in Kaesong. The reservoir which was under construction in Jangphung County gave way.

In Kangwon Province, pylons and electric poles fell down and electric service and communications were cut in afflicted areas.

The competent organs are continuously surveying the flood damage and taking measures to recover from the damage.

The party members and other working people in all parts of the country are courageously working to heal the flood damage as soon as possible with confidence and optimism in the revolutionary spirit of self-reliance and strenuous efforts.

#### **DPRK: 'Gratifying' Rice Harvest Anticipated on Reclaimed Land**

SK3007084596 *Pyongyang Korean Central Broadcasting Network in Korean*  
1200 GMT 29 Jul 96

[FBIS Translated Text] A gratifying rice harvest [humutan nonbyo chakhwang] is being provided on reclaimed land along the coast in Kwaksan County.

The new field, covering 2,600 chongbo [1 chongbo is 2.45 acres], was created on the Kwaksan reclaimed land, which was built according to our party's profound great nature-remaking plan. Functionaries and agricultural workers of state-run farms in Wonpo, Changdo, and Wado, who are engaged in farming the new fields, are carrying out scientific and technical farming according to the demand of the chuche agricultural method, thus improving the growing of rice.

By carefully establishing measures to timely ensure irrigation in every field on the reclaimed land, the county is farming in a secure manner without worrying about water.

Thus, the rice harvest on the reclaimed land is improving as the days pass. [nari kalsurok touk chowajigo is-sumnida]

#### **DPRK: Hydroelectric Power Plants Increase Electricity**

SK2907093096 *Pyongyang Korean Central Broadcasting Network in Korean*  
2100 GMT 25 July 96

[FBIS Translated Text] Advancing energetically with the spirit of the red flag and the spirit of the arduous march, electricity producers of hydroelectric power plants across the nation are increasing the production of electric power to send it to many sectors of the



national economy, including socialist rural areas. Over the past 20 days, they increased daily production by 14,000 kwh [kilowatt hours] on average, compared to the same period last month. Workers and technicians of the Changjagang Power Plant, which maintains a high and steady rate of electric power production, have generated much electrical power by accurately meeting the demand for high-water levels and high-efficiency operations, and have released it to plants and enterprises in many sectors of the national economy. Electric power producers of the Pujongang Power Plant and the 17 March Hydroelectric Power Combined Enterprise have loaded generators in a scientific and technical manner in order to increase the electricity output per tonne of water, thus effecting an innovative upsurge in electrical power production.

**DPRK: Meeting Held on 50 Years of 'Equality of the Sexes'**

*OW3007013896 Pyongyang KCNA in English  
2206 GMT 29 Jul 96*

[*"50 Years of Equality of Sexes in Korea"* KCNA headline]

[*FBIS Transcribed Text*] Pyongyang, July 29 (KCNA) — A national meeting took place here today 50 years since the law on equality of the sexes was promulgated in Korea.

On July 30, 1946, nearly one year after the liberation of the country, the great leader President Kim Il-sung enacted the law so that the women, a half of the population, could exercise the same rights with the men and take part in the political and social activities.

The meeting was attended by Ni Chong-ok, member of the political bureau of the Workers' Party of Korea Central Committee and vice-president of the DPRK, and other senior party and government officials and women of various social strata in the city.

Addressing the meeting, vice-premier of the administration council Kim Pok-sin said the question of women has been successfully resolved in Korea under the wise guidance of the great leaders comrade Kim Il-sung and Comrade Kim Chong-il.

From the first days of the Korean revolution, Comrade Kim Il-sung had raised the liberation of women as a fundamental issue of the social revolution and, after the country's liberation, founded the Korean democratic women's union, a mass political organization of women, she said, and continued:

The democratic law on equality of the sexes, the first of its kind in the world, has been a great pride for the Korean women with the great comrade Kim Il-sung as

their leader and father and has served as inspiring banner giving a great hope to the world's women who had been subjected to all manner of humiliation and maltreatment, shackled to feudalism and capital.

Comrade Kim Chong-il has energetically guided the efforts to solve the question of women on a high level commensurate with our socialism centered on the masses of the people.

He has made sure that the position and role of the women have been steadily enhanced and their rights has been constantly expanded by the nation's laws including the socialist constitution of the Democratic People's Republic of Korea, the family law, public health law, labour law and law on the nursing and upbringing of children.

In Korea women have been active as deputies to the Supreme People's Assembly and other power bodies to take part in discussions of state and socio-political affairs.

Many women have become party and economic officials, labor heroines, able scientists, educationists, doctors, artistes and athletes.

The Korean women deem it a great honor to devote themselves to society, collective and revolutionary comrades and fully display such communist virtues as marrying disabled soldiers and looking after orphans and old men and women with nobody to support them.

Kim Pok-sin called for accomplishing the socialist cause of *juche* started and guided by the respected leader Comrade Kim Il-sung, under the wise guidance of Comrade Kim Chong-il.

All the women should display patriotic devotion in all domains of socialist construction with love for the future, thus fully demonstrating their revolutionary spirit, discipline, industry and skill, she stressed.

**DPRK: Current Social Position of Women Described**

*SK3007103196 Pyongyang KCNA in English  
1011 GMT 30 Jul 96*

[*FBIS Transcribed Text*] Pyongyang, July 30 (KCNA) — Today is the 50th anniversary of the promulgation of the Law on Equality of the Sexes of the DPRK.

The law consists of nine provisions. It declares that men and women have equal rights in all domains of politics, economy and culture.

The enforcement of the law opened the way for women to participate in political, economic and cultural life of



the country with the same rights as men free from ages-old feudal oppression and indignity.

The social position of the Korean women has been elevated to the highest stage. They actively take part in the state affairs.

Women account for 20.1 percent of the total number of deputies to the Supreme People's Assembly.

Management officials of light industrial factories and farms are women in most cases. The number of female scientists, technicians and experts including professors and doctors is hundreds of thousands.

Women account for 46.4 percent of the work force of the national economy and 34 percent of the technicians and experts.

The Korean women are loved as the flower of the country and society.

#### **DPRK Editorial Views Anniversary of Law on Equality of Sexes**

*SK3007101796 Pyongyang KCNA in English  
1008 GMT 30 Jul 96*

["50th Anniversary of Promulgation of Law on Equality of Sexes Marked" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 30 (KCNA) — Papers here today observe the 50th anniversary of the promulgation of the Law on Equality of the Sexes by the great leader President Kim Il-song on July 30, 1946.

In an editorial titled "Let Us Glorify Immortal Feats Performed by the Great Leader Comrade Kim Il-song in Solving Women's Problem" NODONG SINMUN says that the promulgation of the Law on Equality of the Sexes was a historical event which brought about fundamental turn in the position of the Korean women.

The editorial notes that the law personally mapped out and promulgated by Comrade Kim Il-song is a complete one for women's emancipation that practically and comprehensively gives women equal right with men and the most superior one that puts women in the position of the master of the country and society.

The path of the Korean women's movement was a proud route along which Comrade Kim Il-song performed immortal exploits in solving the women's question, the editorial says.

The editorial quotes the great leader Comrade Kim Chong-il as saying:

"The traditions of the women's movement of our country were established during the anti-Japanese revolution-

ary struggle under the leadership of President Kim Il-song. The history of the women's movement is a shining history of the struggle for the socio-political liberation and independence of women."

Comrade Kim Il-song propounded the idea that women play an important role in pushing one of the two wheels of revolution and put forward the chuche-based idea on women's emancipation in the period of the anti-Japanese revolutionary struggle and had wisely led the struggle of its materialisation.

The immortal exploits of Comrade Kim Il-song in the development of the chuche-based women's movement is being creditably carried forward by the respected Comrade Kim Chong-il.

The leadership of Comrade Kim Chong-il, who puts forward women as a flower of the country and a flower of life, showing warm love, is life-giving water for the Korean women to live a worthwhile life with confidence and optimism.

Korean women are the revolutionaries, who successfully inherit the tradition of loyalty.

They are now upholding the cause of the Workers' Party of Korea with loyalty and absolute worship for the leader as anti-Japanese heroines did.

They are strong women with a firm faith in socialism.

They are now pooling all their efforts to firmly consolidate political and ideological fortress, economic and military fortresses of socialism, bearing deep in mind that their happiness and future of posterity depend on the prospect of Korean-style socialism.

They are good women who devote their all to society and the collective and comrades in lofty collectivist spirit.

They are fully displaying beautiful communist traits with noble human love and comradeship.

The editorial calls upon the women to resolutely defend the immortal exploits of the great leader Comrade Kim Il-song, who pioneered the Korean women's movement and developed it, and uphold the respected Comrade Kim Chong-il's leadership with loyalty, entrusting their destinies to the Workers' Party of Korea.

**DPRK: Fifty Years of Projects Turn Nation Into 'Paradise'**

OW3007011296 *Pyongyang KCNA in English*  
2151 GMT 29 Jul 96

["50 Years of Projects for Harnessing Nature" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 29 (KCNA) — 50 years has passed since the Pothong River improvement project, the first of its kind after the liberation of Korea, was completed. The river Pothong that runs across the centre of Pyongyang was often in flood before the liberation, so that broad cultivated areas and dwelling houses were destroyed and human lives lost.

The project, which started on May 21, 1946, at the initiative of the great leader President Kim Il-song, was completed with success in 55 days.

Eight-kilometer-long canal was newly built and over 300 hectares of pleasure grounds were built along it.

Korea's land administration work which began after the president personally broke the ground of the project has constantly strengthened and developed in the whole period of the socialist construction.

Korea, which was devastated by the Japanese imperialists' colonial plunder and the war ignited by the U.S. imperialists, has turned into a paradise of the people under the wise guidance of the great leader President Kim Il-song and the great leader Comrade Kim Chong-il.

A number of edifices of eternal value were built in the past 50 years, arable lands, forests, animals and plants and fish resources increased. Rivers, roads and seashores were trimmed and built beautifully.

Tideland reclamation project was pushed ahead, 130 islets in the West Sea were connected to the peninsula and the length of the coast line was shortened by one thousand and hundreds of kilometres.

More than ten state-run farms and tens of co-op farms came into being on the tideland and chemical fibre material bases, salt ponds, reservoirs and fish farms were built.

Many roads such as Pyongyang-Hyangan tourist highway and Pyongyang-Wonsan and Wonsan-Kumgang highways were built and technical improvement of roads carried out.

All mountains of the country have turned into timber forests, forests of economic value, forest reserves and scenic forests.

Through river projects, all rivers including the rivers Taedong, Amnok, Tuman and Jaeryong are greatly help-

ing toward economic development and the improvement of the people's living.

Many barrages such as the West Sea barrage, Mirim barrage and Ponghwa barrage were built across the river Taedong alone.

Nearly 20,000 kilometre-long embankment projects were carried out throughout the country and more than 12,000 hectares of forests were created along the banks.

Waterways extending 800 kilometres were built, the West Sea barrage-Sinchon-Kangryong and Ongjin waterway, Thaecheon power station-Unjon, Chongju and Kwaksan waterway and river Ryesong-Yonbaek plain waterway included.

About 2,000 artificial reservoirs including lakes Unpha, Sohung and Yonphung were built.

Shelter-belts and tide-water control dykes were built along coast line.

Land construction is being stepped up more dynamically in a planned way and on a nationwide scale in Korea in line with the general land construction plan of the state.

**DPRK Daily on Solidity, Invincibility of Korean-Style Socialism**

SK2907102996 *Pyongyang KCNA in English*  
1016 GMT 29 Jul 96

["NODONG SINMUN on Solidity and Invincibility of Korean-Style Socialism" — KCNA headline]

[FBIS Transcribed Text] Pyongyang, July 29 (KCNA) — The popular masses' unshakable and invariable support and trust are the fundamental source of the solid and invincible socialism of Korean-style, says NODONG SINMUN in a signed article today.

The article quotes the great leader Comrade Kim Chong-il as saying:

"Socialism, which has been established to meet the people's desire for independence and the requirements of the times, derives its unconquerable might from the masses support for it and their confidence in it."

It further says:

Socialism in some countries has collapsed in the face of the anti-socialist offensive of the imperialists and reactionaries because it has not enjoyed unquestioned support and confidence from the broad segments of the people.

Socialism in Korea has steadily grown in strength and developed.

The Korean people support and trust the Korean-style socialism because it provides them with true political rights and freedom, equal and affluent material life and sound, noble and efflorescing ideological and cultural life.

It is under the generous socialist system that they freely participate in the state management and socio-political life and have no worries about food, clothing and housing; with the free compulsory education and free medical services now in force they study all their lives and enjoy a long life in good health. The Workers' Party of Korea and the state assume responsibility for the conditions of their ideological and cultural life.

People's unquestioned support for and confidence in socialism depend on the greatness of a leader of socialist cause, the article says, and goes on:

Today the Korean people absolutely support and trust socialism of Korean style because it has been led by Comrade Kim Chong-il. It is their firm faith and will to repose their unquestioned confidence in him and accomplish the cause of socialism under his guidance.

They are firmly defending socialism, overcoming trials and difficulties in the spirit that they will certainly win and that no force on earth can break the advance of those who defy death.

### South Korea

#### ROK Delegation, KEDO Site Survey Team Return From DPRK

SK3007111796 Seoul KBS-1 Radio Network  
in Korean 0900 GMT 30 Jul 96

[FBIS Translated Text] Following the talks near Mt. Myohyang in North Korea regarding the follow-up protocols to the light water reactor project, the ROK negotiating delegation returned home on 30 July along with the site survey team of the Korean Peninsula Energy Development Organization [KEDO].

Kim Yong-mok, chief delegate and special assistant heading the Office of Planning for the Light-Water Reactor Project, told reporters at the airport that they had an in-depth dialogue with the North Korean side as regards taking over the reactor site and providing services, adding that a fourth protocol is likely to be concluded at the next round of negotiations slated for 20 August in New York.

Special Assistant Kim stated that the 27 July planned visit to Sinpo, where the light-water reactor will be built in South Hamgyong Province, had been canceled due to torrential rain.

KEDO's sixth site survey team, which entered North Korea early this month, also returned with the negotiating delegation.

#### ROK Editorial Denounces U.S. Pressure Over Telecommunications

SK3007025896 (Internet) The Digital Chosun Ilbo  
WWW in English 1148 GMT 29 Jul 96

[Editorial: "Unjustifiable US Trade Pressure"]

[FBIS Transcribed Text] The decision by the US Trade Representative to designate Korea a "priority foreign country" in the telecommunications sector comes as no surprise. However this decision is not based on any international convention, principle promulgated by the World Trade Organization [WTO] or international contractual standards rather it is unilateral and arbitrary, justified only by reference to US domestic legislation, the 1988 Trade Act.

We have long feared that the unfavourable and self-serving nature of the Trade Act is capable of interrupting the continued stability and joint development of international trade and thus believe that the operation and generation of US domestic laws ought to be administered out prudently consistent with the standards accepted at the international and multi-national level.

The US has announced that it will levy a retaliatory tariff upon Korea's main exports items should we fail to meet its requests within one year. The suggested imposition of such a tariff clearly constitutes a threat. We hope that the government does not repeat its failures of the past where we have stood up to US pressure for a period but then, after engaging in unprincipled and meaningless negotiations, hastily yielded in the face of threats from the US government, it would be preferable to concede willingly and quietly from the beginning obviating the need for the US government to make any threats.

It is pitiful that we are regarded by the rest of the world as an easy target for the imposition of retaliative measures. If we have insufficient wisdom and intestinal fortitude to stand up to such menace in bi-lateral negotiations then we need to develop a strategy which will enable us to move the problem into the jurisdiction of the WTO or the multi-national negotiating table. If we lack such ability in this arena we need to join forces with other disadvantaged countries or regional co-operative organizations so that we may withstand collectively trade hegemony and unfair trade pressure imposed upon us.

The intention of the US in connection with telecommunications negotiations is plain and naked. It wishes to



participate without limit in the equipment market which has expanded as a result of increased competition in the telecommunications sector. Of-course it is undesirable to permit unfair competition or participation to take place in any market. However we cannot tolerate the US or any other country forcefully interfering in our private markets or any such country to quarrel with our government's policy decision to give priority to domestic technology which has been developed after considerable labour and toil.

We have no objection to US technology and equipment participating in our rapidly expanding telecommunications market. However, no government in the world would permit a foreign country to exact unreasonable pressure on private markets to purchase overseas technology and equipment at the same time relegating domestic technology which has been developed after so much hard work.

The US ought to retract its unfair demands and cooperate with us as a true comrade and ally in the Korean telecommunications industry. It is four months since the third round of telecommunications liberalization negotiations were concluded between the two countries yet still the US monopolises our domestic telecommunications equipment market. How much more of our telecommunications market must the US usurp before it is satisfied?

#### **ROK Posts \$66 Million Surplus in Telecom Trade With U.S.**

SK3007031896 Seoul THE KOREA TIMES in English 30 Jul 96 p 8

[By staff reporter Chae Hi-muk]

[FBIS Transcribed Text] Korea's deficit with the U.S. in telecom equipment trade has been rapidly increasing and is expected to grow even further amid growing American pressure to open the market wider.

Statistics from the Information and Communication Ministry indicate that Korea registered a surplus of \$66 million in telecom equipment trade with the United States in 1993 with exports worth \$370 million and imports worth \$304 million.

But the situation was reversed in 1994, as the nation chalked up a \$63 million deficit on the basis of imports of \$569 million and exports of \$506 million.

Last year the deficit jumped to \$223 million from \$826 million in imports and \$603 million in exports.

1 During the first five months of this year, the trade deficit snowballed to \$403 million. In particular, Korea's exports were down by nearly half to \$172 million

and imports from the United States jumped more than 20 percent to \$575 million.

A ministry official said that the trade deficit is expected to further increase as 28 new communications service providers will start business gradually from late this year.

In particular, the nation's second cellular service provider, Sinsegi, plans to import switching systems worth tens of millions of dollars from a U.S. manufacturer for a service in Pusan and Kyongsang Province.

Three new TRS (trunked radio system) service providers, who are scheduled to start services from late next year, are to import equipment and terminals from the United States as they have a technological partnership with Motorola.

Despite the growing imports, both the U.S. government and equipment manufacturers have been threatening Korea with retaliatory action, alleging trade barriers.

The ministry official said that the U.S. designation of Korea as an unfair trading nation, or "priority foreign country" for retaliation, has as its aim a greater share of the pie in the Korean telecom market.

The official said that if royalties being paid to U.S. companies are counted, the deficit in the telecom sector with the United States is much larger.

It is unfair for the United States to say that Korea has failed to allow effective access by U.S. suppliers of telecom products and services to the Korean market with such favorable conditions.

A U.S. company official, for his part, also noted that the U.S. Trade Representative has not read the current situation well, agreeing that U.S. companies are doing business well here.

The official, who refused to be identified, said that the USTR measure will only hurt the business of American telecom equipment suppliers in Korea.

#### **ROK: U.S., Europe 'Pressure' on ROK Markets Viewed**

SK3007071396 Seoul HANGYORE SINMUN in Korean 30 Jul 96 p 12

[Report by Sin Ki-sop]

[FBIS Translated Text] The pressure by the United States and Europe for market opening is increasing each day, as our country's telecommunications market continues to have the highest growth rate in the world.



On 27 July, the United States unilaterally designated our country as a priority foreign country [PFC] for negotiations in the telecommunications field. In addition, an ROK-Europe meeting to discuss the telecommunications field was held in Brussels, Belgium, on 26-27 July, in order to resolve a dispute resulting from a lawsuit instituted by the World Trade Organization [WTO] in Europe.

As far as the mobile telephone business and personal communication service [PCS] are concerned, the United States and Europe are pursuing the same goal. In other words, they are equally interested in the mobile telephone business and the PCS sector, in which such ROK business firms as Korea Mobile Telecom, Sin-segi Telecommunications, LG Telecommunications, and Hansol PCS have been engaged. The only difference between the two, if any, is that the United States is at the forefront in applying pressure, while Europe is requesting the same treatment as the United States receives. These two parties are concentrating their interests on the ROK's wireless telecommunications field, because this field has seen nearly 100 percent growth each year.

The U.S. Government estimates that the overall size of our nation's telecommunications market will reach at least 8 trillion won [\$10 billion] in the next five years. Meanwhile, Europe forecasts that the size at 30 trillion won yearly by the year 2000. This market size ranks among the largest in the world, although it is not as large as that of the United States, China and Japan.

Wireless communication is the sector to which greatest importance is attached. It is highly likely that the PCS field will become a 10 trillion won-market during the next five years. Digital mobile telephone, communications through the common use of frequencies, wireless data communications, and satellite mobile telephones will also see growth as rapid as that of the PCS.

However, it cannot be said that the ROK's domestic market is completely closed to foreign countries, as the United States and the like claim.

In the past, U.S. Motorola and Rusen Technology [name as transliterated] monopolized 100 percent of analog mobile telephone equipment markets. With the emergence of digital mobile telephone early this year, mobile telecommunication business firms replaced their equipment-supplying companies with domestic firms. However, they plan to continue importing analog equipment for the next few years. Moreover, about 35 percent of domestic digital equipment is imported from U.S. Qualcomm Company and the like, when calculated according to price and constituent core parts. Accordingly, the trade deficit with the United States in the

field of telecommunication instruments and equipment amounted to \$220 million (180 billion won) last year.

In the early stages, the prospects for localizing PCS equipment, which will be supplied after next year, will not be better than mobile telephone. There are no legal restrictions whatsoever for foreign business firms to supply the equipment directly.

The degree of reliance on foreign countries for other wireless telecommunication fields is even more serious.

As for telecommunication by means of common frequency usage, the technology of U.S. Geotech [name as transliterated] is in fact the ROK's domestic standard. This company holds more than 20 percent of the shares of Anam Telecom, which provides nationwide telecommunications service. All of the three data communication companies mapped out their project plans on the condition of using products from U.S. Motorola. Thus, they can hardly evade technological subjugation.

Regarding firms from European nations, Erikson of Sweden supplied international telephone switchboards, wireless data communication equipment, and the like to Korea Telecom, while supplying frequency- common-use telecommunication equipment to the Korea Electric Power Corporation, the National Police Agency, Samsung Data System, and the like.

In spite of this, the United States and Europe are further intensifying the pressure for market opening. The experts point out that their pressure is intended to completely grab our nation in order to make it a stepping stone for their advance into China and other neighboring countries.

#### **ROK Official: North Prefers No U.S. Presence in Pyongyang**

SK2707051796 Seoul THE KOREA TIMES in English  
27 Jul 96 p 2

[Article by staff reporter Son Ki-yong: "North Korea Feels No Need to Swap Liaison Offices With United States"]

[FBIS Transcribed Text] Pyongyang's mission to the United Nations in New York has virtually played the role of a North Korean embassy in the United States, partly thanks to the increased contact between the two countries over the proposed four-party peace talks.

"North Korean diplomats in New York do business with U.S. State Department officials just like those at the American Embassy in Seoul do business with Foreign Ministry officials here," a senior Foreign Ministry official said.

Therefore, North Korea, which does not want American diplomats permanently stationed in the capital city of Pyongyang, feels no need to exchange liaison offices with the United States to secure a channel of communication.

Although Seoul has maintained that the improvement of U.S.-North Korea ties should be made in tandem with those between South and North Korea, it has not opposed the exchange of liaison offices between them in the belief that it will help North Korea open to the outside world.

The North Korean mission in New York is composed of 14 diplomats including Ambassador Kim Hyong-u, who recently replaced long-time North Korean ambassador, Pak Kil-yon.

The New York mission and the State Department not only exchange telephone calls and fax messages frequently but also have had a series of meetings on the four-party talks.

Shortly after April 16 when the four-way talks were proposed by Seoul and Washington, Han Song-yol, minister-counsellor at the New York mission, met Dick Christensen, a State Department official, on April 19 to get information about the offer.

The two sides have also met twice this month, touching off speculation that the prospects of a joint briefing on the peace talks are bright.

On July 11, the United States and North Korea held a working-level contact in New York and Washington secured an encouraging response from Pyongyang. The contact was made by Han and David Straub, deputy director of the State Department's Korea desk.

On July 23, Han also met Mark Minton, director of the State Department's Korea desk, amid speculation that North Korea will soon agree to a Seoul-Washington joint briefing of North Korea.

"North Korean officials have said that additional rice aid and the lifting of U.S. economic sanctions will help Pyongyang reach a decision in favor of the four-party talks," the official said. However, Pyongyang has not called them preconditions for its acceptance of the peace talks, leaving room for bargaining, he added.

The official said that North Korea had complained about Washington's reluctance to lift its economic sanctions, calling it a violation of the "agreed framework," created in Geneva in 1994.

"It is not easy for the United States to lift sanctions because it is the only leverage Washington can use during future negotiations with North Korea," the official said.

Besides the four-party talks, the United States and North Korea are to hold talks on the control of North Korea's missile production and exports as well as the repatriation of the remains of American soldiers missing in action (MIA) during the 1950-53 Korean War.

Currently, Seoul and Washington are holding talks on the format, topics and level of representation in preparation for Pyongyang's acceptance of the joint briefing.

South Korea is likely to be represented by the deputy foreign minister or the director general of the ministry's American Affairs Bureau while the U.S. briefers will be headed by the assistant secretary of state or the deputy assistant secretary of state, officials here said. North Korea is likely to send officials of the same level from its Foreign Ministry.

"Once North Korea accepts the joint briefing, Seoul and Washington will prepare accounts for North Korean officials of the kinds of diplomatic and economic advantages they will be able to expect as a result of the four-party talks," an official said.

#### **ROK: U.S. Pacific Command Spokesman Comments on DPRK Relations**

*SK3007001696 Seoul YONHAP in English  
2321 GMT 29 Jul 96*

[FBIS Transcribed Text] Seoul, July 30 (YONHAP) — Though the 1994 framework agreement between the United States and North Korea is progressing satisfactorily, the U.S. Pacific Command (USPACOM) said that it "is not and will not become complacent about North Korea's large forward deployed force."

"The status of forces on both sides of the border have not changed," a spokesman for USPACOM recently told YONHAP news agency in an interview. "It is a prudent step to watch the North Koreans to ensure that USPACOM sees any change in the status of their forces."

USPACOM Spokesman Joseph Chesley, Jr. also expressed his command's optimism for the proposed four-way peace talks, saying that it supports initiatives for both Koreas to reconcile their differences.

"USPACOM is optimistic that the proposals presented by President Clinton and President Kim will be the genesis of a peaceful resolution to the current situation on the peninsula."

On the North's recent renunciation of its armistice obligations, he said that its implications are unclear but that Seoul and Washington would view any violations of

the armistice "with concern" and appraise each situation very carefully.

On the recent defection of a North Korean pilot, Chesley said, "Little can be interpreted from a single defection and it remains to be seen if this and other types of defections will arise in the future."

The spokesman declined to speculate on the chances of a surprise attack by the North on the South or the North's collapse and the motives behind the recent incursions by North Korean boats into South Korean waters, but pointed out that both USPACOM and South Korean forces would "continue to be prepared to deter aggression on the peninsula."

"These incidents highlight the importance of the armistice agreement and as an appropriate and needed avenue to maintain a dialogue with North Korea," Chesley stressed.

USPACOM continues to utilize its "cooperative engagement" strategy in the Pacific region, using preventive defense and confidence building measures with regional allies to reduce tension and promote peace throughout the region, he said.

It also emphasizes constructive engagement with China, he added, saying that such engagement would help stop nuclear proliferation and play a stabilizing role in regions where U.S. and Chinese interests are at stake, such as the Korean peninsula.

#### **ROK Editorial Urges Preparedness for DPRK Contingencies**

SK2807122996 Seoul HANGUK ILBO in Korean  
27 Jul 96 p 3

[Editorial: "We Should Face Up To the Situation in the North"]

[FBIS Summary] Although for quite some time many North Korean experts have noted the staggering in the North Korean system, it is certainly noteworthy to listen to the remarks of Kwon Yonghae, director of the Agency for National Security Planning (NSP), the organization specializing in intelligence and analysis of North Korean moves and in strategic operations to North Korea. Testifying before the National Assembly, NSP Director Kwon described the North Korean situation as in "total crisis." This implies that signs of collapse of the North Korean system, or collapse itself, have begun, and it should be taken as urging all people to prepare for the collapse of the North Korean system.

The fall of communism in the Soviet Union and in East European countries, Kim Il-song's death two years ago, and North Korea's economic difficulty and isolation,

coupled with the flooding last year, has led North Korea to beg the world for food, a behavior unbecoming for "the chuche country."

According to Director Kwon, the recent North Korean situation is characterized by conflict among the party, the military and the government; disorder in the administrative system; a slackening of social discipline; and escalating confusion. He said that to make up for his deteriorating authority and to sustain the DPRK system, Kim Chong-il is implementing a reign of terror, with the military playing a key role.

"It is unpredictable when the North Korean system will explode or what sort of situation will develop, which is different from the process of collapse in the East European communist countries, which came about in a more or less predictable manner."

The government, therefore, should prepare for all possible processes of collapse of the North Korean system and hasten preparations so that all government ministries and departments may cope with the contingency.

A prudent review ought to be made whether we should give assistance to the Kim Chong-il system for the maintenance of peace on the Korean peninsula. We should, of course, prepare ourselves for the southward armed provocation the Kim Chong-il system may perpetrate to prevent its collapse and its residents' resistance.

#### **ROK: Defectors Discuss Status of DPRK's Economy** SK3007084196 Seoul CHOSON ILBO in Korean 25 Jul 96 p 6

[Roundtable talk by North Korean defectors Choe Chu-hwal, a former colonel with the North Korean People's Army; Cho Myong-chol, a former professor at Kim Il-song University; Hyon Song-il, a former secretary third class at the North Korean Embassy in Zambia; and Choe Se-ung, a former head of the European Branch of North Korean Taesong General Bureau; edited by reporters Kim In-kyu and Song Ui-tal; date and place of talk not given: "North Korea Believes Opening Up Is Possible Without Political Reform"]

[FBIS Translated Text] [Cho Myong-chol] North Korea is pursuing the diversification of trade. It has reportedly turned some 200 enterprises that produce commodities for domestic demand into enterprises that produce export commodities, and is concentrating all available capital and raw materials on these enterprises. Kim Chong-u, chairman of the Committee for the Promotion of External Economic Cooperation, reportedly revealed recently that "the Najin-Sonbong economic zone would apply the capitalist market principle." This can be



interpreted as being closely connected to North Korea's recent moves to concentrate greater efforts on trade.

Since the mid-1980's, North Korea has faced difficulties in its foreign currency, food, necessities of life, energy, and raw materials. In particular, North Korea has faced difficulties in foreign currency. However, the present North Korean economic structure cannot afford to solve this problem. This is why North Korea is making desperate efforts to attract the investment of foreign enterprises.

When products produced in the Najin-Sonbong economic zone are sold in North Korea, this will solve the North's consumer goods difficulties to some extent, and will be effective in stabilizing prices. It is anticipated the state will purchase consumer goods produced in the Najin-Sonbong economic zone and sell them at shops that deal with foreign currency (oehwa sangjom). If the label "Najin-Sonbong" is attached to all products produced in the Najin-Sonbong economic zone, North Korean consumers would not believe they are foreign-made. Even if North Korean consumers believe these goods to be foreign-made, they would not view them as a serious problem. Even Coca Cola is available in North Korea.

[Choe Se-ung] The North Korean economy can recover only with \$600 million. This was the main point of a plan for economic recovery prepared upon Kim Chong-il's instructions in December 1995. According to the plan, if all coal mines and mines are operated, it will be possible to increase the present rate of operation of plants across the country, which is currently only 30 percent, to more than 50 percent. The plan also envisages investing the profits acquired from the products produced back into production for three years.

As was reported, Kim Chong-il recently stated: "Let us be patient only for three years." This is closely related to his plan. Kim Chong-il has reportedly reviewed daily material from the Orient Peregrine Bank and ING Bank, joint venture banks with North Korea. In February 1995, Kim Chong-il reportedly instructed Chang Kon-il, vice-president of the Taesong Bank, a North Korean bank-Peregrine Bank joint-venture, to find out how to issue and sell bonds. Kim Chong-il also reportedly instructed Chang Kon-il to study ways to list on the international stock market joint-venture companies to be established in the Najin-Sonbong economic zone. This suggests Kim Chong-il is agonizing over inducing foreign capital.

[Choe Chu-hwal] Kim Chong-il should decide the direction of his political and economic policies a year before he officially takes over power in North Korea. Kim Chong-il will continue to strengthen his ideological control over the North Korean people. However, in

the field of economics, sooner or later he will establish the general direction for reform and opening up. Of course, some feel that economic opening up and reform will lead to the destruction of North Korea's system. However, Kim Chong-il seems confident of maintaining the present North Korean system to some extent. The North Korean leadership has already realized that economic reform and opening up can be achieved without political reform, as is the case in the PRC and other countries.

[Hyon Song-il] Kim Chong-il has laid a firm foundation for his leadership since the 1970s. Since the 1980s, he has formulated and issued all decisions by himself.

However, he has carried out his rule over North Korea by using Kim Il-song's behests as a means to win the respect and reverence of the people. Economically, he will open up on a gradual basis.

[Cho] If one views the delay in Kim Chong-il's succession to power as a weakness in his power foundation, this would be a major miscalculation. The longer Kim Chong-il prolongs his succession to power, the firmer will become the North Korean people's trust in Kim Chong-il and his filial piety to Kim Il-song. This is the major reason for the delay in Kim Chong-il's succession to power. The secondary reason is to more firmly deepen the foundation to prepare for his era.

[Choe Se-ung] Early last year, it was reported that Kim Chong-il was urged by the North Korean people to take over the post of general secretary of the party. At that time, Kim Chong-il reportedly refused, saying: "Everything has been properly done without me taking over the post." This is evidence that he is firmly confident.

Kim Chong-il is the man who will push ahead with reform and opening up. It is true he has been pushing ahead with gradual change, although he has not used the term "opening up." In the mid-1980s, Kim Chong-il allowed people to enjoy disco dancing. He also allowed the Wangjesan Light Music Troupe to perform for the general public. Professional wrestling was shown last year. These are examples of the changes Kim Chong-il is pursuing. If he attempted to use the Wangjesan Light Music Troupe as a "joy squad," he would not have shown the troupe's performance to the people.

[Hyon] Kim Chong-il's style of diplomacy is different from that of Kim Il-song. Even in the 1990s, Kim Il-song still stressed the need to more actively wage the nonaligned movement. To the contrary, Kim Chong-il frequently emphasized that "diplomacy cannot be properly carried out with only one principle." Kim Chong-il's style of diplomacy is to maintain intimate

relations with foreign countries, shaking hands with them in order to gain substantial benefits from them. In particular, the main objective of his style of diplomacy is to cleverly exploit the relations of force between the four major powers surrounding the Korean peninsula.

[Choe Chu-hwal] Since the mid-1980s, North Korea has pursued improving relations with capitalist countries while stressing independence, friendship, and peace. In particular, thanks to Pyongyang's ambassador to Switzerland, Yi Chol, North Korea has reportedly sounded out Switzerland, Germany, and other European countries on improving relations.

Entering the 1990s, North Korea realized that improving relations with these countries cannot be expected without first improving relations with the United States.

North Korea's recent efforts to improve relations with the United States may be interpreted as part of its strategy to induce the PRC's intervention. This has been supported by the fact that this year the PRC Government allowed its North Sea Fleet to visit North Korea, which it had refused since 1986 despite repeated North Korean requests, and that the PRC has recently promised North Korea massive food and oil assistance.

[Choe Se-ung] Some maintain that if North Korea makes changes to introduce reform and openness after so many years of advocating self-reliance, it will shock North Korean residents. However, they say so because they do not know North Korea well. Before the simultaneous entry of the North and South Korea into the United Nations, "Two Koreas" was a totally impossible idea. However, after their simultaneous U.N. entry in 1991, the North held lecture meetings and told residents, "The leader has long had such an idea (for simultaneous U.N. entry)," and all North Korean residents believed it.

[Hyon] If the U.S. embassy and the embassies of other Western countries are stationed in Pyongyang, it will no doubt be a considerable change. However, in the wake of the U.S.-North Korean Geneva agreement in October 1994, the North Korean Foreign Ministry issued a series of telegraphic messages stating, "None of you should have an illusion that North Korean-U.S. relations have improved. The true nature of the United States has never changed. We should heighten our vigilance even further. You should never contact the U.S. diplomats carelessly," thus intensifying the ideological indoctrination. As we see from this instance, North Korea is not likely to change easily politically.

[Choe Chu-hwal] Some people analyze that Kim Chong-il's recent visits to military units indicate the weakness of his control over the military. In my opinion, that is a wrong analysis. While Kim Il-song was alive, Kim

Chong-il visited military units more than 540 times. His visits to military units had never been reported by the North Korean mass media.

Kim Chong-il has already had complete command of corps commanders and political officers in the People's Army. Realistically it is difficult for him to completely control all officers below the corps commander level, and it is also meaningless to control them. If they lack loyalty, officers cannot survive in the Army. If they neglect to show loyalty, misjudging that they are not under surveillance, officers are destined to be taken away by secret agents overnight. There is no end of such cases.

[Cho] It is obvious that North Korea is now under a difficult situation economically. However, the North Korean people do not believe such a situation is caused by North Korea's institutional system or by their authorities' misgovernment. An example is the food shortage in North Korea. Not many people believe the food shortage is caused by the failure of their government's agricultural policy. People even believe that their government's agricultural policy itself is good, but that the food shortage is caused by bad weather conditions and cadre members' mistakes. North Korean authorities, too, have tried to rectify the food problem by replacing cadres or strengthening ideological indoctrination among them. Such being the situation, it is difficult to expect an organized uprising or resistance from the North Korean people.

Regarding the future of North Korea, we should concentrate our sharp eyes on developments in North Korea and establish full measures to cope with a possible change in the North Korean situation in the future.

#### **ROK: NSP Criticized for Handling of Song Defection Report**

SK2707092996 *Seoul HANGYORE SINMUN*  
in Korean 27 Jul 96 p 2

[Article by Kang Tae-ho, from the "Fluoroscope" column: "Responsibility of the Agency for National Security Planning and the 'Incorrect Report on Ms. Song Hye-rim'"]

[FBIS Translated Text] The Agency for National Security Planning (NSP), the national intelligence organization which comprehensively collects, analyzes, and assesses information of North Korea, has become a common object of public hatred regarding the "defection attempt by Ms. Song Hye-rim," [DPRK leader Kim Chong-il's former wife], because of the following two points.

First, the NSP has been suspected of leading or supporting the Song family's defection through clandestine operations, and second, the NSP has failed to grasp the overall, true aspects of such an important incident related to security. These two points contradict each other.

As soon as defection of the Song family was reported by CHOSON ILBO on 14 February, the NSP distributed a press release stating that "It is not appropriate for the NSP to comment it." However, the NSP even indirectly confirmed the report, noting "Ms. Song Hye-rim and her sister have disappeared." The press release added that since the press made the report about them public, "their personal safety has been seriously endangered." Thus, the NSP caused people's concern about the possibility of leading their defection attempt to failure due to press exposure. This also evoked people's doubts that the NSP had been deeply involved in their defection attempt through clandestine operations.

Since then, concerning various speculative press reports on the whereabouts and activities of the Song family, the NSP presented merely stereotypical explanations that "their personal safety is being endangered." In the meantime, the NSP put forward such contradictory statements as "it is not true," "the NSP cannot reveal their whereabouts," "the NSP is not in a position to confirm this," and the like. This attitude of the NSP gave people the impression that something was being achieved on the NSP's initiative, and the press reports were not helpful to its work. Thus, the NSP failed to inform people that the defection of the Song family was not true or to show its positive attitude of making the press refrain from carrying such preposterous reports.

From a certain standpoint, it could be said that the NSP was the greatest victim of such exaggerated and speculative press reports, as the NSP itself claims. However, from another point of view, the NSP cannot evade its responsibility for being "the very side that offered and encouraged the causes of exaggerated and speculative reports."

#### **ROK: DPRK Food Shortages Said Only Serious in Some Areas**

SK3007025396 Seoul CHUNGANG ILBO in Korean  
29 Jul 96 p 4

[By reporter Choe Won-ki]

[FBIS Translated Text] Chong Sun-yong (37, hair-dresser), who defected from Tongchon County, Kangwon Province, North Korea in late May, testified: "There were a total of 23 households in the neighborhood unit to which I belonged. Between January and March of this year, two families starved to death."

Choe Sung-chan (29, laborer at a brick plant), who defected by swimming across the Yesong River on 11 July, testified: "I defected because I was hungry. In Kaesong one to two people die every day due to starvation, and they are buried in the mountain."

Recently, defectors who have escaped North Korea have been testifying that many people are starving to death. As such, interest in the seriousness of North Korea's food shortage is once again emerging. However, there are still various assessments regarding the North's food shortage.

Many assess that testimony by defectors regarding the North's food shortage tells only a part of the story. First of all, the Intelligence Analysis Office of the Ministry of National Unification [MNU], which speaks on behalf of the ROK Government in assessing North Korea's food shortages, notes that testimony by defectors that people are starving to death is only the tip of the iceberg. When viewing the situation for the whole of North Korea, it is evident that food shortages have intensified compared to last year, but it is not a critical situation in which people are starving to death collectively.

The government's judgment is based on the amount of food North Korea has secured.

The government notes that North Korea's total volume of demand for grain is 6.73 million tonnes. It is estimated that last year's grain output was 3.45 million tonnes. Therefore, the amount of the shortages is 3.28 million tonnes. When considering the fact that the North Korean authorities are reducing rations, the amount of the shortages is about 2.33 million tonnes.

Since November of last year, North Korea has brought in some 80,000 tonnes of grain from overseas. Also, when considering the amount of the military's reserve rice estimated to be about 1.20 million tonnes, it seems North Korea will be able to hold out in the meantime.

What we must keep in mind is that such calculations by the government are based on an assumption of "smooth distribution" of grain within the DPRK.

At a time when the distribution system is entangled as such, the food situation in each region is different and there can be cases of people starving to death.

Regarding the North's food shortages, intelligence agencies dealing with the North, including the Agency for National Security Planning [NSP], have concluded: "There is a serious difference between counties that have goods that can be traded and counties that do not have exchange means."

For example, in the case of Chong Sun-yong who recently defected, when food rations were suspended



from March last year, she brewed liquor to fill twenty 0.5 liter bottles from 10 kg's of corn and exchanged them for flat fish and Alaska pollack with fishermen.

The food situation is very difficult in North Hamgyong Province, Chagang Province, and Yanggang Province where self-sufficiency in food is less than 40 percent on the average and where there are no goods that can be traded.

Also, the degree of the food shortages shows extreme deviation according to social class.

Dr. Kim Un-kun of the Korean Agriculture Economic Institute has said: "There is no big problem for people living in specific cities including the 3.5 million Pyongyangites; 1.2 million soldiers; 7-8 million agricultural population; people residing in the border region of the Tumen and Amnok Rivers and Kaesong; and those in the upper class."

It is being explained that among the 22 million population of North Korea, over 12 million people are not suffering from serious food shortages. In the case of Anju County situated near Pyongyang, there was secret information that core party members were distributed eggs once a week until May. Intelligence authorities believe that due to North Korea's closed media, reports on people starving to death in North Korea have been exaggerated.

A fellow countryman residing in China well versed in North Korea's food situation said: "The greatest crisis for North Korea's food shortage was in April and May. These days in the local regions, rations are gathered for 10 days. These rations are 250 grams per person daily and are distributed three times a month. The purpose of this method of distribution is to manage with such an amount of rations to the utmost through minimum rationing." In other words, even though the absolute quantity of grain is lacking, it is maintaining a distribution system well enough that people are not starving to death.

However, the fellow countryman residing in China concludes that, in reality, it is impossible for North Korea by itself to restore the distribution level to what it was before the flood.

To make things worse, it is expected that the North's food shortage will be aggravated due to recent torrential rains. According to the NSP on 23 and 24 July, there were 345mm and 459mm of torrential rain in Sinuiju, North Pyongan Province and Anju, South Pyongan Province, respectively. For two days from 25 July, there were 311mm and 242mm of rain in Haeju and Kaesong, Hwanghae Province, respectively. Also it was learned that many residents were missing and houses and roads

were washed away. Thus, the North Korean authorities controlled operation of automobiles and operation of railways was also suspended.

An MNU official expressed the view that "The torrential rain that fell this time fell in the same place where flood damage occurred last year — namely, in Pyongan Province and Hwanghae Province. It seems that North Korean residents will suffer the greatest food shortages in August and September."

#### **ROK Decides To Participate in Najin-Sonbong Economic Forum**

SK2907103096 Seoul YONHAP in English  
1006 GMT 29 Jul 96

[FBIS Transcribed Text] Seoul, July 29 (YONHAP) — The government has tentatively decided to allow a group of government officials, businessmen and journalists to attend an international forum taking place in North Korea in mid-September on investment in the Najin-Sonbong Special Economic Zone.

Kim Kyong-ung, spokesman for the National Unification Ministry, said Monday the decision was made in a meeting of working-level officials from the Unification, Finance-Economy, Foreign Affairs and Trade-Industry Ministries.

"We are now consulting with the UN Industrial Development Organization (UNIDO) on the number of our participants and how to reach the North," Kim said.

The spokesman said the decision was prompted by the belief that South Korean businessmen's participation would be helpful to improving inter-Korean relations.

Application for participation will be received by the Korea Trade and Investment Promotion Agency (KOTRA) by Aug. 15 as North Korea wishes to have the list of attendees by Aug. 26, Kim said.

#### **ROK Funds DPRK Purchase of Weather Forecasting Instruments**

SK2907093196 Seoul YONHAP in English  
0753 GMT 29 Jul 96

[FBIS Transcribed Text] Seoul, July 29 (YONHAP) — South Korea provided North Korea with 50,000 U.S. dollars via the World Meteorological Organization (WMO) last month to finance its procurement of weather forecasting instruments.

A government official said Monday the government gave North Korea 50,000 dollars out of the inter-Korean cooperation fund on June 18 at Pyongyang's request through the WMO for aid to its meteorological equipment procurement program, the first time aid has

ever been provided to the North's weather forecasting program.

The WMO has also provided 10,000 dollars out of its emergency fund for North Korea's meteorological equipment purchase in view of the severe flood damage it sustained last year, while asking 20 member nations to help the communist country, he explained.

It has been estimated that the WMO's aid to North Korea's weather observation equipment purchase is in excess of 100,000 dollars, although this has not been confirmed, he added.

Flood damage in North Korea last year was attributed to poor weather forecasting techniques.

Weather forecasting is one of the apolitical areas in which inter-Korean cooperation and exchange is greatly needed, the official stressed.

Meteorological information has been exchanged with the North through the WMO and international conferences over the years, and such exchanges should continue to increase in the future, he added.

South Korea became a WMO member in 1956 and North Korea in 1975.

#### **ROK: Vietnam Shows 'Impartial Attitude' Toward 4-Way Talks**

SK3007045096 Seoul SEOUL SINMUN in Korean  
30 Jul 96 p 4

[By Hanoi-based correspondent Yi To-yan]

[FBIS Summary] Among the seven countries of the ASEAN, Vietnam is a country that has "special relations" with the ROK. The two countries severed diplomatic ties in 1975 following the Vietnam war, but restored them in 1992 after the Cold War ended. Since then, ROK-Vietnam relations have developed mainly in economic cooperation. The ROK was the third largest trade partner (\$1.5 billion) of Vietnam and the fifth largest investor (\$1.506 billion) in this country in 1995. In particular, as it has made intense investments in Vietnam's manufacturing industry, "the ROK is assessed to have made practical contributions to Vietnam's economic development."

Though ROK-Vietnam relations have developed primarily in economic cooperation, "Vietnam is also politically and diplomatically significant to the ROK." North Korea seemed to be "somewhat alienated" from China following the establishment of diplomatic relations between the ROK and China, yet the North still maintains "trusty relations" with Vietnam even after the reestablishment of ROK-Vietnam diplomatic ties. Government officials explain that this is because Vietnam "exercises

'discreet' diplomacy while pursuing national interests." The ROK Government "expects Vietnam, which maintains friendly relations with both South and North Korea, to play a mediating role for improving inter-Korean relations."

During ROK Foreign Minister Kong No-myong's visit to Vietnam, Vietnamese leaders "showed an impartial attitude toward the proposed four-way talks, saying issues on the Korean peninsula should be issued through inter-Korean dialogue, instead of openly supporting the proposal;" this is also understood in the same vein described above.

"With Minister Kong's visit as a momentum, the ROK and Vietnam will hopefully strengthen economic, political, and security cooperation at an ROK-ASEAN level."

#### **ROK: Corrected Version of Sihanouk Opposing Diplomatic Ties**

SK2907044896 Seoul CHUNGANG ILBO in Korean  
26 Jul 96 p 2

[Corrected version of report by Tokyo Correspondent No Chae-hyon; changing name in last sentence from Kim Chong-il to Kim Il-song, published in the 29 Jul EAST ASIA DAILY REPORT on p 56, entitled "Cambodian King Opposes Diplomatic Relations With ROK"]

[FBIS Translated Text] The YOMIURI reported on 25 July that Cambodian King Norodom Sihanouk is opposed to the establishment of diplomatic relations between Cambodia and the ROK under the pretext of his "friendship" with Kim Il-song.

According to the report, Sihanouk said in a statement issued on 24 July: "I cannot betray President Kim Il-song and his successor Kim Chong-il," and added: "Even if an ROK Ambassador is accredited to Cambodia in the future, I will not accept his credentials."

Making sarcastic remarks about Prime Minister Hun Sen's recent visit to the ROK, the king also said: "The pro-ROK faction' should have waited until after my death to pilot the establishment of diplomatic relations with the ROK."

The ROK and Cambodia are proceeding with official procedures for diplomatic relations, such as agreeing in May to set up missions.

Sihanouk cemented his friendship with Kim Il-song in the 1950s and has been greatly indebted to North Korea during his exile in the 1970s when he stayed at a summer residence in the vicinity of Pyongyang which Kim Il-song had provided.

**ROK Foreign Minister Kong Returns From  
Southeast Asian Tour**

SK3007073496 Seoul YONHAP in English  
0527 GMT 30 Jul 96

[FBIS Transcribed Text] Seoul, July 30 (YONHAP) — Foreign Minister Kong No-myong returned home Tuesday from a diplomatic tour of Indonesia, Singapore and Vietnam with the aim of enhancing economic and political ties with the Southeast Asian countries.

While in Jakarta, Kong attended the Association of Southeast Asian Nations (ASEAN) regional forum [ARF] and the ASEAN post-ministerial conference, where he sought backing from ARF member countries for the proposed four-way peace talks for peace on the Korean peninsula.

Kong also had meetings with U.S. Secretary of State Warren Christopher, Japanese Foreign Minister Yuki-hiko Ikeda, Chinese Foreign Minister Qian Qichen and his counterparts from ARF member countries on the North Korean nuclear and food shortage issues.

He then flew to Singapore to meet with Prime Minister Goh Chok-Tong and Foreign Minister S. Jayakumar on bilateral and multilateral economic and security issues.

In Vietnam, Kong met with General Secretary Do Muoi of the ruling Communist Party and his Vietnamese counterpart, Nguyen Manh Cam, on enhancing bilateral trade and investment, South Korean participation in the Mekong River development project and security issues in East Asia.

**ROK: ROK Bank Profitability per Employee Lags  
Behind U.S., Japan**

SK2707042796 (Internet) The Joong-Ang Ilbo WWW  
in English 27 Jul 96

[FBIS Transcribed Text] It was found that Korea's commercial banks are less efficiently managed compared to the major banks of Japan and the United States. The Office of Bank Supervision announced Thursday that net profits for the current term per employee of Korea's commercial banks amounted to an average of 7,500,000 won last year, much lower than those of the United States (30,700,000 won) and Japan (16,400,000 won).

The total receipt of credit per employee amounted to 2.5 billion won in Korea, one seventh that of Japan (16.9 billion won) but slightly higher than that of the United States (1.6 billion won).

**ROK: Manufacturing, Infrastructure Investment  
Said Lagging**

SK2907001696 (Internet) The Joong-Ang Ilbo WWW  
in English 29 Jul 96

[FBIS Transcribed Text] The results of research showed that the higher interest rates in Korea compared to those of Japan and Taiwan as well as the lower efficiency of industrial investment are due to investments having been concentrated on residential buildings in the past.

The Korea Economic Research Institute affiliated with the Federation of Korea Industries (FKI) made these statements in a report announced Sunday. The institute pointed out in this report, "In order for the Korean economy to maintain sustained growth, investment must be focused on machine-related facilities rather than investments in residential buildings. Also macroscopic economic policies which place increasing importance on the construction of roads and harbors must be implemented."

The report, which compared the investment efficiency of Korea, Japan and Taiwan, stated, "Korea's investment efficiency in 1990 when the per capita income level amounted to 6,000 dollars was 0.13 (0.11 in manufacturing sector). This was extremely low compared to the 0.23 in Japan (0.15 in the manufacturing sector) in 1977 and 0.20 in Taiwan (0.22 in the manufacturing sector) in 1988 when their level of per capita income was similar. The average investment efficiency of Korea during the past 5 years was found to be even lower than that of Japan or Taiwan. [no end quote marks as received]

**ROK: BOK: 1996 Current-Account Deficit at 9.29  
Billion Dollars**

SK2907093296 Seoul YONHAP in English  
0612 GMT 29 Jul 96

[FBIS Transcribed Text] Seoul, July 29 (YONHAP) — The Bank of Korea [BOK] announced Monday that the nation's current-account deficit is 9.29 billion U.S. dollars for the first half of 1996, a record half-year high and up 55.9 percent from a year earlier.

The half-year imbalance is more than the 8.95-billion-dollar deficit registered for all of last year and is expected to exceed the revised estimate of 11-12 billion dollars for the whole of 1996.

The trade deficit in the January-June period rose 20.1 percent from the same period last year to 5.21 billion dollars, with exports achieving 64.47 billion dollars against imports worth 69.68 billion dollars. The trade gap was chiefly due to the declining international prices of semiconductors and chemicals.



Increased travel expenses abroad and royalties and freight payments overseas pushed up the half-year invisible trade deficit 125 percent from a year earlier to 3.53 billion dollars.

Unrequited transfers also registered a deficit of 116 million dollars for the first half of the year, up 33.3 percent from the January-June period last year largely because of increased remittances to students abroad.

The current-account deficit for June alone amounted to 1.07 billion dollars — 500 million dollars in trade, 460 million dollars in invisible trade and 110 million dollars in unrequited transfers, up 19 percent from the same month last year.

A Bank of Korea official, casting doubt on the possibility of the current-account deficit narrowing in the latter half of the year, said the government would hardly hold the imbalance to the revised estimate of 12 billion dollars for the entire year.

**ROK: Bank of Korea Reports on Capital-Account Balance Surplus**

SK3007022896 Seoul YONHAP in English  
0139 GMT 30 Jul 96

[FBIS Transcribed Text] Seoul, July 30 (YONHAP) — The Bank of Korea announced Tuesday that the nation's capital-account balance of payments in the first half of the year registered a surplus of 12.47 billion U.S. dollars, up 129.9 percent from a year earlier.

Capital inflows or debits surged 98 percent to 17.02 billion dollars on increased foreign investment in the stock market and swollen imports on a deferred payment basis.

Capital outflows or assets rose only 43.5 percent to 4.55 billion dollars.

The capital-account surplus of 12.47 billion dollars is compared with the current-account deficit of 9.29 billion dollars registered for this year's first half-year period.

Net foreign capital inflows in the six-month period came to the tune of 9.29 billion dollars, just to offset the current-account deficit for the period.

As a result, the central bank's foreign exchange holdings increased 11.8 percent from the end of last year to 36.56 billion dollars at the end of June.

Imports on a deferred payment (credit) basis in the January-June period swelled 95.5 percent from a year earlier to 7.33 billion dollars, owing chiefly to a more than double increase in short-term trade credit from 2.32 billion dollars to 5.04 billion dollars.

Encouraged by the increased foreign investment limits on the stock market, foreign investors brought 2.95 billion dollars more into the market than the amount they took out in the six-month period, while in the comparable period of last year, they took 796 million dollars more out of the market than they brought into.

Foreign exchange funds Korean corporations raised by floating bonds and other securities overseas in the period rose 9.8 percent from a year earlier to 4.33 billion dollars.

Foreign direct investment also increased 60.3 percent to 750 million dollars.

For assets, overseas direct investment soared 41.8 percent to 1.92 billion dollars, while exports on a credit basis jumped 187.5 percent to 1.05 billion dollars.

**ROK: MOTIE Official Notes Progress in Opening Car Market**

SK3007022196 Seoul THE KOREA ECONOMIC  
WEEKLY in English 29 Jul 96 p 12

["Excerpt" from a speech given by Yi Chae-hun, director of the Automobile & Shipbuilding Industry Division of the Ministry of Trade, Industry & Energy (MOTIE), at the Third Korea-EU Automotive Industries Forum in Seoul; date not given]

[FBIS Transcribed Text] The opening of the Korean automotive market has been pursued largely in three steps. In 1986, a policy to relax restrictions on import cars was announced, which opened the market to imported special vehicles. The import restrictions were further removed for medium and large passenger cars, buses and trucks in 1987 and for small passenger cars in 1988. This meant no more basic restrictions on car imports. Meanwhile, the tariff was lowered from 150 percent in 1984 to 8 percent in 1995, according to the Comprehensive Plan to Reduce Tariffs. Consider the fact that it took more than 20 years for Japan to reduce the tariff for passenger cars from 40 percent in 1951 to 8 percent in 1972.

The second step was the Comprehensive Plan for Improved Opening of the Automotive Market, announced in June 1994. The plan was to improve overall market access in terms of tariffs, type approval, installment financing, advertising, distribution market, and acquisition tax. The final step was the additional measures to open wide the market, which were adopted in 1995 as a result of the negotiations with the United States, which had lodged strong complaints due the access ability of the Korean auto market. [sentence as published] Also incorporated in the measures were various issues that had been raised by other countries.

The extent to which the market of a country is open can be assessed by the import regulations and practices. Seen from this aspect, the Korean market can be said to have neither import barriers, nor discriminatory practices against imported cars. The actual import data and market share of foreign cars can be the indirect indices, showing the degree of market openness. Although the market is completely liberalized in terms of its systems and institutions, consumers' preference, demand structure and other characteristics unique to the market can affect the import of foreign goods. Especially in Korea, where foreign automakers are gradually making inroads with their large cars, it will be difficult to evaluate market openness simply on the basis of import statistics. First, after the liberalization of the auto market in 1986, car imports increased at a fast rate, although the volume in absolute terms was small. From 1993 in particular, the imports grew much quicker.

In 1994 the growth rate was phenomenal at 135.2 percent. Especially in 1995, when the effects of rapid market opening began to show, the rate was 73.9 percent. During the first quarter of 1996, the import of cars continued to increase rapidly, 44.4 percent, over the same period the previous year.

The increase in the sales of foreign cars is led mainly by large size cars. Based on the sales data of KAIDA (Korea Automobile Importers & Distributors Ass.), 74.5 percent of the imported passenger cars are mid- and large-size passenger cars with at least 2000cc. If we look at the percentage of new cars sold in the Korean market during the first quarter of 1996, those with over 3000cc accounted for 38.5 percent of the total sales, while those with between 2000cc and 3000cc occupied 19 percent.

The registration data shows that import cars account for a meager rate of 0.42 percent of the total passenger cars registered in Korea. This is partly because of the fact that foreign cars have been imported for only the past four to five years. But it can also be ascribed to the fact that the foreign import cars have mostly been large cars rather than small and midsize cars with displacements of less than 2000cc, which account for 93.3 percent of the total. Consequently, the share of import cars in the large car segment has risen rapidly.

The foreign companies' strategy to enter the large car segment was an appropriate and successful one in that the Korean companies' competitiveness is relatively weak in the segment. It was therefore easy for foreign automakers to make inroads into the market and to enhance the public awareness of the brand image of their cars in Korea.

The Korean auto market is a very attractive one despite the fierce, competitive structure. In terms of the market size, it's the 7th largest market in the world with the annual demand of about 1.5 million units. The long-term forecasts of the market say the demand in the Korean car market will grow at an annual rate of 6 percent, to reach 2.1 million units by the year 2000. Imports are also projected to increase continually with the share growing to 5 percent by the year 2000, and further to 10 percent by 2005. The opening of such a large market, which guarantees free access to and fair competition in the market, gives a new opportunity to the global auto industry.

#### **ROK Productivity Only 50-60 Percent of Advanced Countries**

SK3007120796 Seoul YONHAP in English  
1129 GMT 30 Jul 96

[FBIS Transcribed Text] Seoul, July 30 (YONHAP) — South Korea's labor productivity is found to stand at only 50 to 60 percent of that of advanced countries like the United States and Germany.

A material released by the Korea Productivity Center (KPC) showed Tuesday that South Korea's productivity of the whole national economy, that was, the amount of value added produced by a worker, amounted to 20,274 dollars last year, lower than the 10 OECD (Organization for Economic Cooperation and Development) countries, Taiwan and Singapore.

The U.S.'s whole economy productivity was 42,599 dollars and Canada's 37,223 dollars.

By industry based on 1993 figures, South Korea's labor productivity amounted to 25,202 dollars in manufacturing whereas it was 53,430 dollars for the United States and 21,297 dollars for Denmark.

The productivity of South Korea in agriculture, forestry and fisheries was 8,241 dollars, mere one fourth of the U.S.'s 35,449 dollars. But, it was favorably compared with Japan whose productivity in the area was 7,702 dollars.

"South Korea's labor productivity has steadily been improving. But, our's has much room for improvement as it is still low compared with those of advanced countries," a KPC official said.

#### **ROK Assembly Passes Maritime, EEZ, Chemical Arms, Trade Bills**

SK2807022096 Seoul THE KOREA TIMES in English  
28 Jul 96 p 2

[FBIS Transcribed Text] The National Assembly wrapped up yesterday its three-week session after pass-

ing dozens of bills, including the ones for the creation of the Maritime Affairs Ministry and the declaration of the exclusive economic zone [EEZ] of 200 nautical miles.

International agreements to ban chemical weapons and three other international pacts were also ratified in the special sitting.

The bills that was acted on yesterday also include the revision to the laws on income tax designed to cut the tax burden of the underprivileged by about 300 billion won a year.

As to the proposed creation of the Maritime-Fishery Ministry, the ruling and opposition parties had engaged in a heated wrangling until the last minute over whether or not to form a house committee for the new ministry.

The opposition camps demanded the creation of a new committee while the ruling camp maintained the position of delegating the work related to maritime affairs to the existing Agricultural and Fishery Committee.

In the last day of the Assembly session, lawmakers adopted three resolutions on the creation of special committees to draw up measures to prevent natural disasters, improve the nation's competitiveness and reform economic policies.

Before the start of the plenary sitting, floor leaders of the ruling New Korea Party and opposition National Congress for New Politics and United Liberal Democrats held a heated to patch up their differences over the April election probe issue. [sentence as published]

At one time, they virtually agreed on the selection of constituencies as targets of the house investigation of the allegations of illegal campaigning for the April 11 general elections.

So Chong-won, floor leader of NKP, said, "The ruling NKP decided to accept the opposition camps' demand for the probe."

For the investigation, the ruling and opposition camps are to choose constituencies, where the two sides think fraud was most serious.

So far, the ruling NKP was unwilling to comply with the probe itself, while opposition parties insisted on it.

The constituencies subject to the probe have to be listed by the party representatives on the special panel.

The ad hoc panel, created upon the opposition's demand, is scheduled to start its fact-finding activities on Aug. 10.

Well before the opening of the 15th National Assembly, the opposition parties had been clamoring for the

investigation, claiming that the April elections were greatly tainted by what they claimed is a foul play by the ruling party.

Another special Assembly panel to discuss how to guarantee political neutrality of law enforcement authorities is to start its work around Aug. 13.

The ruling and opposition parties still remain apart on the thorny issue with the opposition parties demanding that the presidential appointment of the nation's top prosecutor and police officer be subject to Assembly confirmation while the ruling NKP is opposed to it.

#### **ROK: Ulchi Exercise Slated for 19-24 Aug; Curfew Planned**

SK3007024796 (Internet) The Digital Chosun Ilbo  
WWW in English 1152 GMT 29 Jul 96

[FBIS Transcribed Text] The government announced Monday that the Ulchi Exercise scheduled to take place for five days from August 19 will undergo a transformation from a documentary exercise to a real outdoors practical training exercise. The contents of the exercise will be drastically strengthened.

During the exercise a full and partial curfew will be instigated and in order to effect light control operation electricity and water supplies will be cut. There will be a prohibition imposed upon evening entertainment venues. To control traffic congestion people will be required not to use their vehicles one in every five days. These measures will be fully implemented in certain designated areas of the country.

The government has been carrying out the Ulchi Exercise in a document-oriented way in order not to provoke the North but last year it decided to alter the exercise into a three-dimensional exercise in order to construct a national war command network and maintain a realistic state of emergency preparedness in accordance with government and military exercise models.

#### **ROK Army Procurement Probe Stops at 'Low-Ranking Officers'**

SK2807014796 (Internet) The Digital Chosun Ilbo  
WWW in English 1144 GMT 27 Jul 96

[Editorial: "Investigation on Army Procurement Contracts"]

[FBIS Transcribed Text] It is hard to understand the prosecutor's decision to end the investigation regarding the large-size illegal profits made by military procurement goods suppliers without taking any judicial action. The Chief of the Central Investigation Department explained that since they could not confirm the related



businesses' criminal intent, they could not take judicial action. If this is so, we have to ask whether the illegal profits of 30.8 billion won made by the four military contractors does not constitute a crime.

The prosecutors also disclosed that the allegation that part of the illegal profits by the contractors was given to high ranking military officers as bribe-money has not been confirmed. However, it is highly unlikely that these officers could have allowed the highly priced procurement goods blindly without some type of kickback. Unless they were fooled, it should have been obvious that the businesses had unjustifiably hiked up the prices of the goods supplied, and only the explanation that they had intentionally turned a blind eye adequately explains why such costly procurements were made with no trouble for five years. In this case, it is only common sense that bribery was involved.

It is estimated that approximately 20-30 percent of the illegal profits are spent on the lobbying funds and bribes spent by businesses during the process of supplying military goods. If we presume that 20-30 percent of the 30.8 billion won was spent in this case, the bribes would total approximately 7.6 billion won. In fact, the prosecutors announced that they found one active army major and 10 civilian employees had accepted 2-20 million won from businesses and had sent them to military prosecutors.

It seems that the prosecutors confirmed a substantial part of the bribery allegation, but decided to stop the investigation at the level of low-ranking officers, without delving further into who bears the ultimate responsibility behind the corruptive dealings. Furthermore, the prosecutors' reasons cited for wrapping up the investigation are short of being convincing.

Their reasons against taking further judicial actions is as follows: dampening effect on the defense industry, difficulty in applying judiciary action to related persons' illegal actions, and lengthening of the military's instability. Least convincing is their last explanation that if the prosecutors carry out this investigation on a full-scale it would lead to the military's instability, and it is an overly exaggerated interpretation. Our military is not so weak or exposed to illegal dealings as they claim. It is only a small fraction of the military personnel.

#### **ROK: NKP, Opposition Request Defense Minister's Resignation**

SK2807014896 (Internet) *The Digital Chosun Ilbo*  
WWW in English 1154 GMT 27 Jul 96

[FBIS Transcribed Text] The ruling and opposition parties, Saturday, requested the resignation of Defense Minister Yi Yang-ho to take responsibility for the dam-

ages in the barracks and lives lost in the military units due to a landslide. The New Korea Party Spokesman Kim Chol said, if it was found that the landslide could have been prevented, and that there was ill-preparation for such incidents, a stern commander's responsibility should be demanded.

The National Congress for New Politics Spokesman Chong Tong-yong said that the military's internal collapse phenomenon, such as tragic incidents in the front-line units and leaking of military secrets, is proof that the current regime's administrative ability has reached its limits. He also demanded that President Kim Yong-sam cancel his vacation and immediately resume his duties. The United Liberal Democrat An Taek-su demanded that the defense minister be relieved of his post of establishing discipline in the military.

#### **ROK: Premier Not To Fault Commanders for Landslides**

SK3007031996 *Seoul THE KOREA TIMES in English*  
30 Jul 96 p 2

[FBIS Transcribed Text] Prime Minister Yi Su-song said he has no intention to take field commanders to task for the series of deaths of soldiers in rain-caused landslides, iterating that they were a natural disaster beyond the ability of anyone to prevent.

During a visit to a military unit near Hwachon, in Kangwon-to, Sunday, he made the comforting remarks receiving a briefing on the disaster from Gen. O Yong-u, commander of the First Army. As many as 23 soldiers were killed while asleep in their barracks.

Prime Minister Yi said the disasters were unpreventable. "If they were the fault of the responsible commanders, they would have been held accountable. But the landslides caused by more than 500 mm of rain were a force majeure," said Yi.

He went on to say that it is argued in some pockets of society that commanders of the units scratched by the disaster should not go unpunished. But he asked what action the commanders could take in the situation when even communications were cut off because of the heavy downpour.

Then, the prime minister said, 61 came here to give you comfort and encouragement, not to put you on the carpet."

Then, he instructed Defense Minister Yi Yang-ho, who accompanied him on the visit, to ensure the soldiers killed in the landslides are buried with military honors. "Those who sacrificed their lives for the nation deserve the highest praise and respect.

Commander O said, "As a field commander, I cannot find the words to express myself. At the same time, I cannot accept the criticism that it was field commanders' lack of love for soldiers that was to blame."

**ROK: Landslides at Barracks Attributed to Lack of Discipline**

SK3007025596 (Internet) *The Digital Chosun Ilbo*  
WWW in English 1149 GMT 29 Jul 96

[Editorial: "Lax Army Discipline?"]

[FBIS Transcribed Text] At 4:25 am on Friday [1925 GMT 25 July] 20 soldiers lost their lives when a landslide destroyed the barracks at Yolsae Army Division. At 5:30 am the following day 8 people were killed in a disaster of identical form which took place at Sungni Division. In addition to this there was the ensuing loss of human life at 5 other army units and 1 air-force unit.

The first incident was unexpected. However the second and successive incidents could clearly have been predicted. The fact that such disasters were repeated can only be attributed to a loss of military discipline. Whenever a civilian disaster occurs, the military is mobilized rapidly and relief assistance administered. However, in this instance the loss suffered by the military itself exceeded that of civilian loss, a fact which is nothing short than astonishing.

We wish to know exactly what reports were made to the higher army echelons after the accident at Yolsae Division and what orders were given to those in charge of barracks facing similar danger to that which Yolsae Division had been exposed to. The fact that despite there having been extensive reporting of the first incident the army failed to conduct checks of other barracks which were experiencing similar conditions to those surrounding Yolsae is indeed strange. It is worrying to consider that there may have been a wholesale drop in morale within the army or that perhaps the fact that our intelligent youngsters are doing their best to avoid military service due to its reputation as being "dirty, dangerous and difficult" has resulted in a lessening of a sense of duty possessed by higher ranking servicemen and that therefore they were unable to prevent this ridiculous series of disasters from taking place.

We need to take measures to ensure that our national military discipline is corrected. Discipline should be strict, morale high. Military authorities as a first priority to achieve this must take measures to help themselves. Then, if necessary, there needs to be a transformation in the support measures given by the people and the country. If low morale and a loss of discipline are the cause of a poor barracks life then we need to alter our conceptual thought in order to solve these problems in

concert with improvements being effected to our society and economy.

**ROK Editorial Urges Government, People To Aid in Flood Relief**

SK3007030096 (Internet) *The Digital Chosun Ilbo*  
WWW in English 1149 GMT 29 Jul 96

[Editorial: "Urgent Aid For Flood Victims Required"]

[FBIS Transcribed Text] Ninety people lost their lives in flash floods which occurred over the last four days in Kyonggi and Kangwon Provinces. It is particularly saddening to receive news of the fact that some 60 of the victims were members of our military youth. We are also shell-shocked to hear that over 90,000 people in 30,000 families lost their houses and property in the floods.

We need to create an environment in which the victims can eat, sleep and dress. It is encouraging to discover that a number of aid groups, including the Red Cross, have been actively engaged in effecting relief measures. In addition, we cannot overestimate the aid miracles to date performed by the military.

It is also welcoming news that individuals of the cities of Chonnam [South Cholla] Province, including Kwangju City, which were fortunate enough to avoid the floods, are assisting the flood victims in a most positive way. These individuals are sending food and dispatching medical teams enabling the victims to salvage hope from despair so that they may look towards re-building their lives in the future. We must also encourage the victims to rise again and re-enter the workforce with strength and determination.

Of course there is an indispensable need for the government to provide fundamental assistance to restore the losses and re-build the areas destroyed. Such relief efforts should be systematized and well co-ordinated. However we also need the whole country to come forth and lend a hand. In this regard the CHOSON ILBO too will do its small share.

**ROK: Kim Tae-chung Briefed on Flood Damage by Senior Officials**

SK3007130196 *Seoul YONHAP in English*  
1234 GMT 30 Jul 96

[FBIS Transcribed Text] Seoul, July 30 (YONHAP) — In a rare move, senior government officials gave a briefing on flood damage to Kim Tae-chung, head of the opposition National Congress for New Politics (NCNP), Tuesday afternoon.

The briefing was made at Kim's party office by Vice Home Minister Chong Tae-su, Vice Defense Minister

Yi Chor 3-nin, Vice Agriculture, Forestry and Fisheries Minister Cho Il-he and Vice Construction and Transportation Minister Yu Sang-yol.

During the session, Kim told the visitors that he believes the flood damage was due in large part to neglected safety measures, calling for stepped-up safety precaution in the future.

He also asked the government to pay more compensation to flood victims.

"I was told the government is planning to pay 7 million won to the bereaved family of each of the fatal victims. But, the compensation was 100 to 200 million won for each victim of the collapse of Sampung Department Store or the sinking of the Sohae Ferry," Kim was quoted as saying by NCNP Spokesman Chong Tong-yong.

As examples of neglected safety measures, Kim reportedly cited mistaken weather forecast, ignored demand by villagers for the repair of fragile embankments and neglected care of hill-side military barracks by the Defense Ministry.

#### **ROK: Kim Yong-sam Seeks To Rehabilitate Flood-Stricken Areas**

SK3007080396 Seoul YONHAP in English  
0634 GMT 30 Jul 96

[FBIS Transcribed Text] Seoul, July 30 (YONHAP) — President Kim Yong-sam instructed his cabinet Tuesday to make a concerted effort to rehabilitate the nation's flood-stricken areas as soon as possible while taking more effective flood control measures.

The chief executive gave the instructions after being informed at a briefing session held by Prime Minister Yi Su-song on the flood damage. Kim had just returned from vacation at Chongnamdae, the presidential resort, Presidential Spokesman Yun Yo-chun said.

The floods that hit the northern Kyonggi and northwestern Kangwon areas late last week have claimed 85 lives and damaged property worth a total of 132.4 billion won (165 million U.S. dollars) thus far.

Expressing regret over the deaths and huge property damages caused by the floods, the president stressed that the government must do its utmost to help the surviving families of those killed or missing so that they can return to normal life as soon as possible.

In particular, the government will immediately take measures to help farmers restore flood-washed farmland and farming facilities, while mobilizing all available equipment and manpower for the reconstruction of damaged roads, bridges, railways and waterways.

Noting the unprecedented damage to military facilities, Kim pointed to the military's need to conduct a thorough safety check of all military facilities, especially barracks for troops deployed in mountainous areas vulnerable to heavy rains, and conducting precise geological surveys before building new barracks in such areas.

Stressing the need for more accurate weather forecasts and a more scientific water control system to prevent flood damage, Kim said the government should improve the existing flood control system of the Imjin River, which flooded the entire city of Munsan late last week.

#### **ROK Plans To Set Up Flood Forecast System for Imjin River**

SK3007072396 Seoul YONHAP in English  
0524 GMT 30 Jul 96

[FBIS Transcribed Text] Seoul, July 30 (YONHAP) — A government plan calling for establishing a flood forecast system along the Imjin River basin in North Kyonggi Province, which experienced flooding over the weekend, was adopted Tuesday through the introduction of rainfall measuring raiders and setting up 10 water depth observation posts.

The government also decided to formulate a comprehensive flood control program for the river basin including dam construction next year. This is to be preceded by the completion of a survey of the basin in collaboration with the Korea Water Resources Corp.

At the cabinet flood control and relief meeting, decisions reached called for setting up an observatory at Imjingak near the estuary of the Imjin River and raider observatory posts on Paengnyong and Huksan islands in the West Sea [Yellow Sea], and automating observation equipment at the nation's 26 weather observation agencies by 1998.

To enhance weather forecasting capacities, the administration has decided to introduce state-of-art typhoon-gauging equipment from Geophysics Hydromechanics Institute of the United States, and to install superweather computers in 1998.

The meeting, presided over by Prime Minister Yi Su-song and attended by related ministers, also discussed flood rehabilitation and relief measures to be taken by a number of ministries.

Ministries involved are scheduled to conduct a joint survey of damage from the floods in northern Kyonggi and Kangwon Provinces from Aug. 4-11 and finalize specific rehabilitation and support programs at the Central Disaster Control Headquarters on Aug. 23.



The Finance-Economy Ministry has decided to finance rehabilitation projects out of the state coffer, extend the income and corporate tax declaration and payment periods for flood victims by up to six months, and provide up to 25 million won in housing loans per household for those left homeless by the floods.

The Defense Ministry plans to accord the 60 troops killed or missing in landslides and floods the same honors accorded to those fallen in battle.

In addition, the ministry will pay 7.65 million won and a monthly pension of 400,000 won to each of the dead's bereaved families for the remainder of their parents' lives, and plans to carry out a pan-military donation campaign with the goal of raising consolation money of some 25 million won per head.

The Health and Welfare Ministry has set aside 344 million won as an emergency relief livelihood fund for a total of some 28,400 flood victims, about 25,900 in Kyonggi Province and approximately 2,500 in Kangwon Province. Following a seven-day emergency relief period, the ministry plans to provide each household with 288 grams of rice daily for three months.

The Construction and Transportation Ministry is to rehabilitate and reopen the Seoul-Munsan railroad by Aug. 10 and the Seoul-Sintanni line by Oct. 5.

#### **ROK Ministry of Finance Announces Securities Change**

SK2707063996 *Seoul THE KOREA TIMES in English* 27 Jul 96 p 9

[By staff reporter Yi Chang-sop]

[FBIS Transcribed Text] Institutional investors will be able to borrow and lend each other securities from September, the Ministry of Finance and Economy announced yesterday.

This will serve to activate trading in the stock market and eliminate price differences between the spot and the futures markets, it said.

All listed stocks, excluding those on the supervisory section on the Korea Stock Exchange, will be able to be borrowed and lent. Borrowers must put up other stocks as collateral and the maturity period will be six months. Borrowers will be able to return the stocks they have borrowed before maturity, it said.

There will be no restrictions on the purpose for which the institutional investors borrow stock. The Korea Securities Depositories (KCS) will work as intermediary between lenders and borrowers, with the Korea Securi-

ties Finance Corp. (KSFC) — a bank for brokers, serving as guarantors for the borrowers. Annual fees on borrowing stocks will be 1.8 percent of the market value of the stocks. The minimum number of stocks that can be lent will be 100, it said.

Only individual investors are currently able to borrow stocks from securities companies.

Lenders will retain the voting rights of the stocks they have lent to other institutional investors.

Even while stocks are loaned, dividends and subscription rights to new stocks will belong to lenders, the ministry said.

The stock borrowing and lending system is not a new conception in the global financial markets but Korea has prevented its introduction so far.

Investors who expect stock prices to fall in the near future might borrow stocks and sell them. Later on in the six-month period before maturity, they would then seek to buy the same quantity of stocks at cheaper prices and return them to lenders. The end result would be capital gains, assuming the borrowers' expectations are correct. If in fact the stock market moved in an opposite direction to their expectations, the stock borrower will end up losing money.

When the spot stock market is thought to be "overvalued" and the stock index futures market is "undervalued," institutional investors might borrow stocks, sell them now, and use the proceeds to buy the undervalued stock index futures contracts. Within six months, they could sell the futures contracts, and use the money to buy stocks on the Korea Stock Exchange at "cheap" prices to return the stocks they have borrowed.

When the borrowers' predictions are correct, they will gain amounts dependent on the price difference between the spot and futures markets. When the spot and futures markets move in opposite directions to their expectations, they will lose money.

#### **ROK: Labor Shortage in Manufacturing Most Acute for Small Firms**

SK2807015096 (*Internet*) *The Joong-Ang Ilbo WWW in English* 28 Jul 96

[FBIS Transcribed Text] Companies are suffering from an increasing lack of manpower in the manufacturing sector. According to data submitted by the Labor Ministry to the National Assembly Saturday, the manufacturing sector needs 183,000 additional workers or 3.7 percent of the total demand as of July. Of these figures, 160,000 workers (4.6 percent of the total demand) are

needed by small- and medium-sized companies, proving they are suffering from a much more acute shortage of manpower than large companies which lack 23,000 workers (1.56 percent). Experts analyze that the labor shortage is becoming worse due to changes in demand and supply conditions of the labor market and also because companies these days are looking for cross-functional and workers with a service-minded orientation. [sentence as published] Another factor is the increasing number of jobs shunned by older workers with higher level of education.

**ROK: Minister Unveils 10-Year Technological Development Plan**

SK3007034296 Seoul THE KOREA TIMES in English  
30 Jul 96 p 8

[FBIS Transcribed Text] The government will draft a 10-year semiconductor technical roadmap to set the course for future technological development to strengthen the basic foundation of the nation's leading export industry.

At the same time, graduate schools specializing in non-memory semiconductor technology will be set up to ensure more balanced development with memory chips, the nation's top industrial policy-maker said yesterday.

In a meeting with industry representatives, Trade, Industry and Energy Minister Pak Chae-yun said the development of the country's high technologies will be dependent on the course the semiconductor industry takes.

Semiconductors accounted for 17.7 percent of all Korean exports last year but there has been a number of inherent problems, such as overdependence on memory chips, which have seen prices plummet this year.

To cope with the difficulties, the government will work with the private sector in developing a semiconductor technical roadmap for acquiring the technology for chip cells and manufacturing equipment," he said.

The meeting is the sixth in a series organized by Park to identify problems related to exports of major industries and to develop effective solutions to improve the international competitiveness of Korean products.

Noting that the drastic drop in the prices of memory chips has been hitting Korean companies particularly hard because of their total dependence on dynamic random access memory chips, Park emphasized the need to focus on non-memory devices.

As part of the project, the government will be investing 50 billion won to foster manpower for designing non-memory chips such as application specific integrated circuits (ASICs).

He said the overseas production volume will still only be 10 percent of the total national manufacturing volume.

The industry representatives, including Kim Chu-yong, president of Hyundai Electronics Industries, said Korean companies have to learn from Japanese firms in terms of technological development and balanced production.

## Burma

### Burma: Khun Sa Kept at Rangoon Military Camp To Prevent Capture

BK3007033896 Bangkok BANGKOK POST  
in English 30 Jul 96 p 3

[Unattributed report]

[FBIS Transcribed Text] Khun Sa has been housed in a military base in Rangoon to prevent him being captured and tried in the United States for heroin trafficking, a senior member of the Mong Tai Army said yesterday.

The former heroin warlord, for whom Washington has posted a 50-million-baht reward, has been secured at the camp in which his neighbours include Lt-Gen Khin Nyunt, Secretary 1 of the State Law and Order Restoration Council [SLORC].

Whenever Khun Sa, who capitulated to the SLORC in January, leaves the camp, he does so with a group of Burmese colonels in a car with tinted windows to prevent him being seen by local people and foreigners, the source said.

The source in Khun Sa's former minority army said the security ring the SLORC had thrown around him was damaging his jewellery trade with Taiwanese merchants and logging business with Thai and Taiwanese businessmen.

However, businesses run by Chao Cham Huang, his son, in Ho Mong, including a 20-million-baht chopstick and toothpick plant, have not been affected, he added.

### Burma: Report Says 45 Insurgents Surrender in Jun

BK3007030796 Rangoon TV Myanmar Network  
in Burmese 1330 GMT 29 Jul 96

[FBIS Summary] A three-minute Rangoon TV report says that a total of 29 insurgents surrendered from 16 to 30 June after realizing the goodwill of the State Law and Order Restoration Council and giving up their armed struggle.

In the southeast command region, five Karen insurgents surrendered, together with one revolver, two hand grenades, and one .22 pistol, and three ABSDF [All Burma Students' Democratic Front] insurgents surrendered with one revolver. Three ABSDF insurgents gave themselves up in the northern command region. One Karen rebel surrendered in the southern command region. In the western command region, seventeen Arakan rebels surrendered, together with one .45 mm pistol, one Browning submachine gun, one RPG, two M-79 rocket launchers, eight AK-47 assault rifles, one BA-63 auto-

matic rifle, one Sten gun, one revolver, two rockets, 30 hand grenades, 22 magazines, 1,300 rounds of assorted ammunition, and five Ikon walkie-talkies

The report says a total of 45 insurgents surrendered in June.

## Brunei, Malaysia & Singapore

### Malaysia

#### Malaysia: Austria's Vranitzky Arrives on Four-Day Visit

BK3007075196 Kuala Lumpur RTM Television  
Network 3 in Malay 0530 GMT 30 Jul 96

[FBIS Translated Text] Austrian Chancellor Dr. Franz Vranitzky arrived in Kuala Lumpur this morning on a four-day official visit. His visit here is seen as an opening of a new chapter in relations between Kuala Lumpur and Vienna.

Upon his arrival at the Sultan Abdul Aziz Shah International Airport in Subang, Dr. Franz was met by Foreign Minister Datuk Abdullah Ahmad Badawi, and Deputy Minister in the Prime Minister's Department Datuk Dr. Ibrahim Saad, who is also the minister of attendance for the state guest.

Included in the 25-member delegation are Austrian senior ministers, government officials, businessmen.

Shortly afterwards, Dr. Franz was accorded a state welcoming ceremony at the Parliament Square in Kuala Lumpur.

He was greeted by Prime Minister Datuk Sri Dr. Mahathir Mohamed. The national anthems of the two countries were played before Dr. Franz inspected the guard of honor, which was comprised of three officers and 104 men from the First Battalion, Royal Malay Regiment. The parade commander was Major Rafizi Shafie.

Subsequently, Dr. Mahathir introduced Dr. Franz to cabinet ministers and representatives of the foreign missions in Malaysia.

### Singapore

#### Singapore: ROK Minister Expresses Cooperation for WTO Meeting

BK3007073196 Singapore THE STRAITS TIMES  
in English 27 Jul 96 p 3

[Report by Edard Tang]

[FBIS Transcribed Text] Relations between Singapore and South Korea, which have expanded rapidly in



recent years, gained fresh momentum yesterday with an understanding by both countries to increase bilateral exchanges and cooperation in regional and international affairs.

According to a Foreign Ministry spokesman, the foreign ministers of the two countries Professor Shunmugam Jayakumar and Mr. Kong No-myong, met yesterday and agreed that more exchanges of visits between government ministers and officials of both countries were important to the enhancement of bilateral relations.

She said they agreed, in particular, to have more regular consultations between senior officials of the foreign ministries.

Mr. Gong is in Singapore on a two-day official visit at the invitation of Prof. Jayakumar.

Relations between the countries reached a new milestone this year when South Korean President Kim Young-sam made a state visit here in February.

Last year, bilateral trade between Singapore and South Korea expanded strongly and reached \$[Singapore] 12 billion, a 24 percent increase over 1994.

The spokesman said the two ministers expressed the desire to see "full and early implementation" of all bilateral agreements on exchange of officials and on arts, culture and sports.

Singapore will be sending two senior officials later this year to Seoul under the officials exchange agreement.

The two countries concluded an agreement on cooperation in arts, culture and sports during Prof. Jayakumar's official visit to South Korea last year.

At the meeting yesterday, the two leaders agreed to conclude an early agreement on cooperation in science and technology apart from bilateral issues, both ministers made a strong pitch for closer cooperation on issues likely to be raised at the World Trade Organization Ministerial Conference, to be held here in December, and the next Asia-Europe Meeting in 1998.

Mr. Gong assured his Singapore counterpart that South Korea would work closely with the Republic to ensure a successful inaugural WTO meeting.

In turn, Prof. Jayakumar assured Mr. Gong that Singapore would support all efforts to reduce tensions in the Korean Peninsula, including the four-party peace talks involving the two Koreas, the United States and China, which he hoped would lead to a resumption of inter-Korea dialogue.

Mr. Gong, who was later hosted to dinner by Prof. Jayakumar, also called on Deputy Prime Minister Lee Hsien Loong yesterday. He will meet Prime Minister

Goh Chok Tong today before leaving for an official visit to Vietnam.

His trip to the two ASEAN countries follows his participation in the ASEAN Regional Forum and the Asean Post-Ministerial Conference with its dialogue partners in Jakarta earlier this week.

#### **Singapore: Japanese Minister's Visit To Result in 'Equal Partnership'**

BK3007063496 Singapore THE STRAITS TIMES  
in English 27 Jul 96 p 16

[Report by Felix Soh]

[FBIS Transcribed Text] It is important that Japan and Singapore, which hold similar views on many issues in the international community, should forge a strong and equal partnership, said a Japanese spokesman yesterday.

Japanese Foreign Minister Yukihiko Ikeda's two-day official visit to Singapore was "extremely conducive" to the attainment of this level of relationship, said Deputy Press Secretary Ken Shimanouchi.

Mr. Shimanouchi, who is also Deputy Director-General for Public Information in the Ministry of Foreign Affairs, was briefing journalists on Mr. Ikeda's meeting with Singapore ministers.

The Japanese minister held talks with his Singaporean counterpart Professor Shunmugam Jayakumar on Thursday and paid courtesy calls yesterday on Prime Minister Goh Chok Tong, Deputy Prime Minister Brigadier-General (NS [National Service]) Lee Hsien Loong and Senior Minister Lee Kuan Yew.

Mr. Ikeda, who was accompanied by a delegation of senior Foreign Ministry officials, represented Japan at the Asean Regional Forum and the Asean Post-Ministerial Conference with its dialogue partners in Jakarta earlier this week. He leaves for Vietnam today.

Reporting on the talks between the two foreign ministers, Mr. Shimanouchi said that they discussed ways of enhancing bilateral ties as equal partners.

"They reached agreement on the strengthening of policy dialogue between the foreign ministries of the two countries," said the spokesman, who disclosed that the next round of consultations at the vice-ministerial level would be held in early autumn.

The second Japan-Singapore Symposium would also be staged in the Republic in November. The inaugural symposium was held in Tokyo in September last year.

The symposium, mooted in 1994 by then-Japanese Prime Minister Tomiichi Murayama during his visit to

Singapore, is aimed at boosting exchanges at the private-sector level and putting forward ideas that would be useful in the policy-making process, said Mr. Shimanouchi.

Technical cooperation was another topic discussed by Mr. Ikeda and Prof. Jayakumar. They touched on joint efforts by the two nations in conducting third-country training in Singapore.

"The two foreign ministers expressed satisfaction that this program has been implemented successfully," the Japanese spokesman noted.

"We agreed to set up a working group to explore the modalities and future shape of technical cooperation."

Also discussed was the enhancement of cooperation between Japan and Singapore in regional and international forums.

The two sides agreed to work closely for the success of the World Trade Organization inaugural ministerial conference which would be held in Singapore in December.

"Minister Ikeda promised that Japan would act as the bridge between the Organization for Economic Cooperation and Development and other countries in the preparation process," commented the spokesman.

Prof. Jayakumar and Mr. Ikeda touched on the need to work with other countries on the specifics of the WTO [World Trade Organization] preparatory process in the days to come Mr. Shimanouchi added.

In addition, Japan and Singapore would be joint coordinators on the Asian side for the 1998 Asem meeting in London.

Both countries agreed to work very closely on this, he said.

On how Japan viewed Singapore, the spokesman said that the Republic was seen as a country which had achieved spectacular economic performance.

He said: "Japan sees Singapore as a country that is rich in insights, ideas and initiatives."

### **Cambodia**

**Cambodia: Commentary Praises Granting of MFN Status by U.S.**

*BK3007044996 Phnom Penh National Radio of Cambodia Network in Cambodian  
1300 GMT 29 Jul 96*

[Political commentary: "Waiting Only for the Starting Date"]

[FBIS Translated Text] According to sources in Washington, on 26 July, 100 U.S. senators unconditionally

approved the MFN [most favored nation] status for Cambodia. This is a most important step, leading toward the United States granting the MFN status to Cambodia.

As a general practice, after the House of Representatives and the Senate approve anything, the president seldom uses his veto. It should be noted that on 11 May 1995, the U.S. Lower House gave Cambodia trade preferences, allowing Cambodia to export goods to the United States at the lowest tax rate. For this reason, although this bill will be finally approved by the U.S. President, all analysts understand that Cambodia's MFN status merely awaits a starting date.

It should be noted also that the U.S. Lower House's approval of the MFN status for Cambodia in 1995 took place on the same day that President Bill Clinton issued a resolution to reestablish full diplomatic ties with Vietnam, which had been severed since 1975.

This year on 8 May, the U.S. Senate Finance Committee decided to give the MFN status to Cambodia to coincide with Clinton's announcement that he would not impose any economic sanctions against China.

It should be noted that our country lost its MFN status with the United States in 1975 when the U.S.-supported Lon Nol government collapsed because of the Khmer Rouge. The United States restored diplomatic relations with Cambodia in 1993 following the general elections. The two countries began signing bilateral trade agreements in 1994. But Cambodian-U.S. trade was only \$8 million annually and mostly involved goods from the United States. This is why the majority of the U.S. congressmen who supported the MFN bill hoped that the granting of MFN to Cambodia would encourage trade development between the two countries. This will gradually facilitate the restoration and reconstruction of Cambodia.

It will be a great joy to receive this MFN status from the United States. U.S. Embassy officials in Phnom Penh used to say that the granting of the MFN status, reducing taxes on the export and import of goods, would encourage the U.S. companies to invest here. Our motherland has placed high hopes on the export of goods to the United States and expects that more funds will flow in, thus helping to boost the nation's economy. This is a good sign, showing that the reconstruction of Cambodia is moving on the correct road.

We are very glad to learn of this news. Moreover, the MFN status for Cambodia has defeated the dark schemes of those politicians who have tried hard to oppose the granting of this significant status to Cambodia.

Some unrealistic politicians have tried very hard to make the U.S. Senate not grant the MFN status to Cam-

bodia. They have called for conditions to be set before granting this status to Cambodia. They want to put the blame on the Royal Government for this matter. If this status were successfully barred, they would have launched an all-round attack on the Royal Government of Cambodia without thinking of the concrete consequences that would befall the Cambodian people.

Second Prime Minister Samdech Hun Sen used to say that the granting of the MPN status to Cambodia amounted to honoring the obligation that the United States had taken on regarding Cambodia. This status for Cambodia is not meant for any particular individual; it is for all the Cambodian people, who will benefit from this favorable trade status. Therefore, this represents a big success in Cambodian history. The United States has given justice to the Cambodian people's struggle for survival, for freedom, and for democracy by unconditionally granting this favorable trade status.

### Indonesia

#### Indonesia: PDI Leader Says 158 Members Missing Since 27 Jul Riots

BK3007040596 Hong Kong AFP in English  
0342 GMT 30 Jul 96

[FBIS Transcribed Text] JAKARTA, July 30 (AFP) — Nearly 160 members of the embattled Indonesian Democracy Party (PDI) were still missing since Saturday's violent takeover of party headquarters which sparked mass riots in Jakarta, a party official said Tuesday.

The 158 missing "are still being sought by their families. We don't know what has happened to them, and we're worried," said PDI treasurer Laksamana Sukardi.

Sukardi said that central Jakarta's military and police hospitals refused to give out information about their patients to PDI. Diplomats and journalists Monday were also denied access to the same hospitals.

The Jakarta police have said that 215 people have been detained for Saturday's unrest, the daily REPUBLIKA reported.

Military troops Saturday charged at a crowd of thousands of demonstrators who refused to leave the area of the party headquarters after a rival government-backed faction and police took over the PDI building.

Angry demonstrators turned to looting and burning Saturday in the afternoon and evening, with neither the police nor the army intervening.

Susilo Sudarman, the coordinating minister for politics and security, said Monday that Megawati Sukarnoputri, the embattled PDI leader ousted by the government-

backed faction, may be questioned about Saturday's unrest.

"We will want an explanation as to why the free-speech forum was used to insult the government," he said.

Sudarman was referring to the forum of thousands of people who gathered outside the PDI headquarters for weeks to voice support for Megawati, the daughter of founding president Sukarno.

Sukardi said that the government "could go right ahead and do that (question Megawati)," but said that his faction has not yet received any formal notice about the questioning.

Megawati was ousted as PDI leader by the breakaway faction at a rebel party congress last month, a meeting which was backed by the government. The government's role in opposition politics had led to widespread international criticism.

Megawati's replacement, Suryadi, has been recognized as the party's leader by President Suharto. There are only three legal parties in Indonesia.

The official casualty toll from Saturday's violence was two dead and 26 injured, but other sources, including the Indonesian Legal Aid Foundation, have put both tolls much higher.

Sudarman Monday also warned against "rumors" from the foreign media.

"Some foreign radio stations have reported 54 or 47 dead. There were only two deaths. Don't listen to foreign radio stations that are always trying to set us against each other," Sudarman said.

The minister put the blame of the weekend riot on pro-democracy group People's Democratic Union (PRD), accusing it of being "synonymous with the old PKI (Indonesian Communist Party)."

Military and political party officials, including ruling Golkar party chairman Harmoko and the United Development Party's secretary General Tosary Wijaya, condemned the weekend violence as anarchy.

They did not mention the military's harsh treatment of the crowd Saturday which left scores injured, including women and small children.

Jakarta Governor Suryadi Sudirja has called for calm in this city of more than 10 million people.

"I ask all citizens of Jakarta to be alert against agitations, which only cause the people to become unproductive," Sudirja was quoted by the official Antara news agency Tuesday as saying.



**Indonesia: Suharto Demands Explanation on Weekend Rioting**

*BK3007043796 Jakarta KOMPAS in English  
30 Jul 96*

[Unattributed report — received via Internet]

[FBIS Transcribed Text] Jakarta, KOMPAS Online — President Suharto demanded an explanation from six high officials in regard to the violent outbreaks in Jakarta on Saturday and Sunday.

The six of us were called by the President to report on the incidence on Saturday and Sunday. We told him everything. We are all thankful our beloved city has returned to normal and calm state which is under full control. Coordinating Minister of Politics and Security Susilo Sudarman told journalists after meeting with the President at the State Palace. Chief of the Indonesian Armed Forces (ABRI) Feisal Tanjung, Chief of Police Dibyo Widodo, Cabinet Secretary Saadillah Mursyid, Minister of Justice Utoyo Usman and Attorney General Singgih also attended the meeting with President Suharto.

According to Susilo, the President urged the public to avoid provocation and requested the army remain resolute in taking whatever action they deemed necessary.

Susilo seemed convinced that a third party was involved in the riots which was ignited when the military raided the PDI [Indonesian Democratic Party] headquarters in Jalan [Road] Diponegoro. Among others (third party) there is the PRD (Democratic People's Party). Even the President was aware of this. With mass organizations, as you may have seen on television, there is a similarity with the former PKI (Indonesian Communist Party), he said. Susilo urged the public to be on the alert for such groups.

When one of the journalists inquired about the origins of the PRD, Susilo explained that it was a party comprising workers, farmers and artists. He associated the party with Lekra, a group of artists and intellectuals who supported the communist party and CGMI, a youth branch of the communist party.

Susilo then confirmed that only two people had died in Saturday's violent outburst. He stated adamantly that foreign news reports, estimating that 47 or 54 died in the clashes, were wrong.

Attorney General Singgih said that the case would be tried under the Subversion Legislation when further investigations are complete. Susilo also indicated that Megawati Sukarnoputri, PDI leader elected through popular vote in Surabaya, and Suryadi, PDI leader elected through a government sponsored congress in

Medan, would be asked for an explanation. Megawati should answer to the free speech forum held at the PDI headquarters in which the government was criticized, he said.

In a letter, Megawati stated her regret over the violent outbursts. We ask all sections of society, whether it be civilians, the military or religious figures to safeguard peace and order which is based on legal and constitutional premises. Unity must be maintained. We should also reflect on and learn from the cause of the riots.

Megawati expressed her deepest sympathy to the families of the victims both killed and wounded in the clashes. She also said that with the assistance of the Legal Aid Foundation, she would try and uncover the cause of the deaths.

Suryadi, in his statement, called on the public to be on the look out for communist tactics and techniques. PDI hopes that legal forces will punish all those responsible for the brutality, the statement said.

Suryadi asked the public to avoid similar such violent outbreaks and avoid any racial provocation.

The violence was also condemned in a statement issued by Golkar [Functional Group] and signed by Golkar Chairman Harmoko and Secretary General Ary Marjono. In the statement, Golkar supported ABRI's efforts to control the violence and commended them for safeguarding national stability and unity. Golkar also suggested security forces punish the groups responsible for the violence in accordance with criminal law codes.

In a statement issued by the United Development Party (PPP), the public was urged to protect national unity as well as support the New Order Government in achieving its goals. PPP also reiterated the need for all segments of society to avoid provocation and to be on the look out for forces which aim to undermine national development.

**Indonesia: Numerous False Bomb Threats in Jakarta 29 Jul**

*BK3007061196 Jakarta KOMPAS in English  
30 Jul 96*

[Unattributed report — received via Internet]

[FBIS Transcribed Text] Jakarta, KOMPAS Online — Two days after the riots on July 27, Jakarta has been the center of numerous bomb threats. Further investigations, however, have proved the bomb threats to be false.

The Migas Dharma Niaga Building, the Department of Information, Bank Rakyat Indonesia [BRI] Building 1

and II on Jalan [Road] General Sudirman, the Dharma Niaga Building, the Citraland and Senen shopping complexes were among the places to receive the bomb threats. In view of the threats, workers in the area of Jalan Sudirman were requested to return home in the early afternoon. The bomb threats were made through anonymous telephone calls.

In all cases, workers were requested to evacuate the respective buildings. After the buildings were searched, no evidence of a bomb or related ammunition was found. A special bomb detection mob was called into the BRI I and II buildings but nothing was discovered.

The National Commission for Human Rights (Komnas HAM) has revealed that the violence which occurred on Saturday and Sunday was a violation of human rights, namely the right to live freely and without fear as well as ownership rights on property destroyed.

The Komnas HAM report indicated that violent methods to attain political goals conflicted with the ethics contained in the Pancasila [state ideology]. The Komnas HAM team will continue their investigation into the physical, material and moral damage of the riots.

In efforts to calm the situation, the Indonesian Journalists Association (PWI) has urged the press to take care when recording the number dead and injured as a result of the violent clashes between the rioters and military personnel.

Religious preachers from the greater Jakarta area expressed their concern over the rifts prevalent in Indonesian society. Anwar Sanusi, representing the Bakumubin organization of religious preachers, noted the existence of a group intent on discrediting the authority of the government, ABRI [Armed Forces of the Republic of Indonesia] and the Islamic community. He asked the nation to remain cool and safeguard national unity.

Because of discrepancies over the number of dead and injured as a result of the Saturday's violent outbreaks, deputy chairman of parliamentary commission I [Roman numeral one] Sazili emphasized the need for a special investigation into the matter.

#### **Indonesia: Coordinated Meeting Blames Abuse of 'Freedom of Speech'**

*BK3007074396 Jakarta Radio Republik Indonesia Network in Indonesian 0600 GMT 30 Jul 96*

[FBIS Translated Text] Susilo Sudarman, coordinating minister for politics and security affairs, presided over a coordinated meeting in charge of politics and security in Jakarta this morning. Our correspondent Joko Saksono reports:

[Begin Saksono recording] A plenary coordinated meeting of ministers in charge of politics and security was chaired by Susilo Sudarman and attended by the home minister, foreign minister, defense and security minister, justice minister, information minister, ABRI [Armed Forces of the Republic of Indonesia] commander, attorney general, and chief of the State Intelligence Coordinating Agency. The meeting believes that certain people have abused the idea of freedom of speech, because their actions are not accompanied by a sense of national responsibility. If this continues, it will affect the nation's political stability. The government will take stern action against those who are directly, or indirectly, involved in the illegal activities, such as PRD [Democratic People's Party] and other groups because they have openly opposed the New Order government. We are grateful that the situation in Jakarta has returned to normal, thanks to the swift action by security forces who are supported by people who do not want anarchy, unrest, and public disturbance. Members of the public are urged to follow the instructions given by security forces. They are also asked to exercise restraint and to refuse to be provoked by misleading reports, especially those that discredit the New Order government. [end recording]

#### **Indonesia: Ousted PDI Leader Megawati Issues Press Statement 27 Jul**

*BK3007112196 (Internet) INDONESIA Listserv in Indonesian 28 Jul 96*

[Press statement issued by Megawati Sukarnoputri, chairperson of the Indonesian Democratic Party's Central Executive Council, in Jakarta on 27 July]

[FBIS Translated Text] 1. Again, we would like to explain that on 4 June 1996, 15 members of the Indonesian Democratic Party's, PDI, Central Executive Council, DPP, decided to hold what was known as a "congress" in Medan on 20 to 22 June 1996 without inviting 11 other people. The chairperson and the secretary general were among those 11 uninvited members. Since then, and until the "congress" ended, these 11 PDI DPP members were never invited to participate or be involved in any party activities. They were not invited to attend the "congress" in Medan too.

Obviously, such an action was invalid, illegal, unconstitutional, and against the principles of Pancasila democracy, which is based on negotiations for consensus.

2. As you all knew, the government considered the "congress", along with its outcome, as valid, legitimate, and constitutional. This can be interpreted to mean that the 550 members of the MPR [People's Consultative Assembly] can organize a general assembly without inviting the other 450 members. Included among the 450

members was the MPR's chairman. The government has in turn termed the outcome of the assembly to be valid, legitimate, and constitutional. Thus, it looks as if this is the legal precedence in our country.

Due to violations against the principles of the constitution and democracy, and based on the fact that Indonesia is a country with legal laws, we have decided to let the court decide on the validity of the Medan "congress." Therefore, so long as the court has not given a verdict on the validity of the "congress", it is status quo, and the DPP that is valid, legitimate, and constitutional is the one under the leadership of Megawati Sukarnoputri. This is the principle observed in a country with legal laws and all its citizen should obey and respect it.

3. As you already know, the PDI DPP office at 58, Jalan [road] Diponegoro, Jakarta was stormed and seized by unidentified people this morning. They were supported by unscrupulous members of the security forces.

We totally oppose such tactics and actions because what they did clearly contradicted existing laws, and are against the people's way of life and practices in a nation with legal laws. The actions are examples of the misuse of power and someone should be responsible for this.

Based on the facts of the incident, the people who called themselves the supporters of the "congress" initiated the raid on the headquarters. So, the person who should be responsible for this is Mr. Suryadi, who obviously can no longer lead his members to take legal action.

As we are the valid, legitimate, and constitutionally elected Central Executive Council prior to the court's decision, our office remains at No. 58, Jalan Diponegoro, Central Jakarta.

4. As a representative of the people, that is, a member of the DPR [House of Representatives]/MPR, I also have an office at the DPR/MPR. Those who wish to tell me what their hopes and aspirations are can contact and see me at the DPR/MPR office.

5. Bearing in mind that we are representatives of the people, that is, the members of the DPR and MPR, the people always have the right and responsibility to report and lodge complaints to the members of the DPR/MPR against the trampling of the basic principles of democracy, of laws, and of their sovereign rights.

Now that the PDI conflict has spread to become a national issue, I am calling on all the leaders and members of the DPR/MPR to adopt the attitude of statesmen and to behave as they do. All statesmen place national interests above personal and group interests.

6. The DPP members under the leadership of Megawati Sukarnoputri for the 1993-1998 had been accepted by President Suharto. The government had created a dualism in its perception of the PDI DPP. With this, the government has created two PDIs — the PDI that is based on democracy and the sovereign right of the people or the PDI under the leadership of Megawati Sukarnoputri; and the PDI whose basis is unclear.

7. We are calling on PDI members in the districts and branches to continue carrying out party activities properly.

Jakarta, 27 July 1996.

[Signed] Megawati Sukarnoputri  
PDI DPP chairperson.

#### **Indonesia: Military Issues Order To Shoot 'Troublemakers'**

*BK3007111096 Hong Kong AFP in English  
1105 GMT 30 Jul 96*

[FBIS Transcribed Text] JAKARTA, July 30 (AFP)— Jakarta's military commander Tuesday ordered troops to shoot troublemakers "on the spot" in order to control any further unrest in the city, the official Antara news agency reported.

"The 'shoot on the spot' order is to be immediately given should they (the troublemakers) start efforts to disturb security," Military Commander Major General Sutiyo was quoted as saying.

He warned that the authorities' tolerance had "limits."

Sutiyo, speaking to reporters after an official function here with President Suharto, said all members of the security forces "are carrying weapons" in order to tackle any further unrest.

Military troops Saturday charged thousands of demonstrators who refused to leave the area of the headquarters of the opposition Indonesian Democracy Party (PDI) after a government-backed party faction and police seized control of the building.

Angry demonstrators turned to looting and burning Saturday in the afternoon and evening, with neither the police nor the army intervening.

The city on Tuesday remained crippled by multiple bomb threats in the central business and shopping districts and amid rife, though unfounded, rumours of fresh unrest in Chinatown.



**Indonesia: Military Faction Recognizes Suryadi as PDI Leader**

*BK3007083896 Jakarta Radio Republik Indonesia Network in Indonesian 0600 GMT 30 Jul 96*

[FBIS Translated Text] The ABRI [Armed Forces of the Republic of Indonesia] parliamentary faction regrets the recent incidents perpetrated by irresponsible people, which caused panic in the general public. Lieutenant General Suparman Ahmad, chairman of the ABRI parliamentary faction, said the faction only recognized Suryadi and his friends as PDI [Indonesian Democratic Party] leaders. They were elected at the PDI congress in Medan and granted an official audience by President Suharto several days ago. Suparman Ahmad added that the faction also supports the ABRI commander's statement, which will take stern action against those who disturb public order and national security.

[Begin Suparman Ahmad recording] ABRI has investigated those arrested during the weekend rioting to see to what extent they were involved in the incident. We hope the people will be able to see and assess the situation. [end recording]

The ABRI parliamentary faction also called on the public to remain calm because the situation has returned to normal. People should not fall for any misleading reports spread by irresponsible groups.

**Indonesia: Economists View Effects of Jakarta Weekend Rioting**

*BK3007072296 Jakarta KOMPAS in English 30 Jul 96*

[Unattributed report — received via Internet]

[FBIS Transcribed Text] Jakarta, KOMPAS Online — Economists maintain the national economy will suffer if the political situation is not controlled. Investor confidence will wither if unrest, such as the violence which erupted in Jakarta on Saturday, continues.

Director of Econit [company] Rizal Ramli and economist Dr Priasmoro Prawiroarjo told KOMPAS on Monday (29 July) that the conflict which erupted after the take-over of the PDI [Indonesian Democratic Party] office on Saturday has sparked concerns among investors and businesses.

Ramli spoke of the sharp fall in share prices on Jakarta's Stock Exchange. If there are similar situations like the riot on Saturday, all fundamental elements of the national economy will be disturbed. In turn, this will delay the investment commitment and reduce investor activity in the money and share market in Indonesia.

Unfinished political issues will contribute to the uncertainty which plagues the Indonesian economy, he added. This morning investors and overseas fund managers asked me about the political situation, he said. Ramli also mentioned that domestic situation will reduce investor confidence in relation to macro-economic stability.

Priasmoro Prawiroarjo was also concerned about the fall in the value of the rupiah which followed Saturday's tragic riots. He said he would not be surprised if people rushed to exchange their rupiahs for other currencies.

If investors are perplexed looking at the Indonesian situation then of course they will move their money overseas. The movement of foreign investors is usually followed by local investors, Priasmoro said.

Priasmoro argued that political disturbance could be controlled by security personnel but the national economic situation was more difficult to manage. No one can control the exit of funds from Indonesia, he said.

If the political climate is not stable, he said, then investors will look for a more stable overseas market. Priasmoro emphasized the need to restore investor confidence by ensuring a stable economic environment.

**Indonesia: Editorial Condemns Weekend Riot, Urges Finding Solution**

*BK3007073096 Jakarta THE JAKARTA POST in English 29 Jul 96 p 4*

[Editorial: "Weekend of Violence"]

[FBIS Transcribed Text] No sane person could ever endorse the violence and anarchy that we saw in Jakarta this weekend. The lawlessness and arson that officially left two dead and massive material damages are deplorable.

Violence will not resolve or achieve anything. Instead, it causes rage, frustration and misery. Nothing good came from this weekend of rioting.

But we need to look at the incident more objectively and less emotionally. The rioting was not an isolated incident. It was the culmination of a series of events with origins in the prolonged leadership conflict within the Indonesian Democratic Party (PDI).

The seeds were sown last month when a group of PDI leaders opposed to the leadership of Megawati Sukarnoputri staged a government-supported congress in Medan and elected Suryadi to the helm. The congress and election proceeded against the wishes of many PDI members who continued to regard Megawati as the party's legitimate leader.

Since the Medan congress, many Megawati supporters have been maintaining a round-the-clock vigil at the PDI's headquarters on Jalan [road] Diponegoros Central Jakarta, to prevent Suryadi from moving in. For the past month, the PDI office compound was turned into a public forum not only for Megawati supporters, but for pro-democracy activists wanting to vent their anger with the government.

Then, on Saturday morning, the forced take-over of the PDI headquarters by Suryadi's supporters, again helped by security forces, ignited the disturbance. The violence quickly spread to nearby neighborhoods and degenerated into a state of lawlessness.

The massive protests against the government's handling of the PDI affair show that society has changed and that our citizens are more politically aware. The free speech forums held in the PDI office compound reflect a growing crisis of confidence in the authorities and in the ability of the current political system to solve today's problems. Given that our society has become used to violence, it was plain to see that the PDI affair had the potential to erupt. And this is exactly what happened.

We should take note of the fact that the riots were joined by a group of young people who feel entirely left out of the economic development process. These youths took part because it was a rare opportunity for them to vent their pent-up anger at the government, whom they blame for their current economic situation.

When both the politically and the economically frustrated opt for violence, there must be a breakdown in communication in the political system.

We fully support the authorities, especially the military in their effort to confine the riots and restore order. The faster law and order are restored, the sooner our city can return to its normal activities. Prolonged unrest will undoubtedly disrupt the lives of the city's inhabitants, but it could also weaken investors' confidence and have a lasting impact on the economy.

Restoring law and order is not enough and will not resolve our political and economic problems. The incident should prompt us to find long-term solutions to these problems, while compelling the authorities to be more careful and wise when handling such flare-ups in the future.

#### **Indonesia: Commentary Stresses Importance of National Unity**

*BK2907154596 Jakarta Radio Republik Indonesia Network in Indonesian 0000 GMT 29 Jul 96*

[Station commentary]

[FBIS Translated Text] Addressing a ceremony at Jakarta's State Palace on Saturday evening to mark the Prophet Mohamed's birthday, President Suharto urged all Indonesian people to strengthen unity and integrity because a divided nation leads to destruction. The head of state also cited a Koranic verse to the effect that our strength will be destroyed if we are not united.

The head of state's admonition has a very profound meaning for us as a religious and civilized nation when we translate it into action in our daily lives. Unity and integrity are indeed the main strength of a nation. Only with unity and great discipline can we jointly build our future. If we look back at the example given by the Prophet Mohamed, we can see his great and noble deeds as well as his humility.

Dr. (Alwi Sihap) said in his speech to mark the prophet's birthday that Islamic teachings are oriented toward achieving unity among human beings. He noted that unity in Islam also respects diversity because each group has its own way of life and lifestyle. Pluralism, which brings about social harmony, is one of the Prophet Mohamed's teachings.

The fact that this year's ceremony to mark the prophet's birthday coincided with the time when the Indonesian people are about to mark their independence day on 17 August should be used as a means of self-introspection by studying the prophet's teachings again on the importance of unity and integrity. We certainly do not want to see a repetition of the past tragedy when we were placed under colonial rule because of a lack of unity. In this connection, personal interests must be set aside for the sake of national sovereignty, which we have acquired with great difficulty.

#### **Indonesia: Daily Welcomes Support for Butrus-Ghali's Nomination**

*BK2907151396 Jakarta Radio Republik Indonesia Network in Indonesian 0600 GMT 27 Jul 96*

[From the "Press Review"]

[FBIS Translated Text] The daily MERDEKA comments on the affirmation by Nugroho Wisnumurni, the Republic of Indonesia's permanent representative to the United Nations, that the government will again support the nomination of Butrus Butrus-Ghali as UN secretary general for a second term from 1997 to 2001. The daily

says that this indicates Indonesia's dedication to efforts to reform the international organization.

Indonesia is of the opinion that Butrus-Ghali has made tangible efforts to reform this one and only international organization and has made it more efficient.

According to the daily, it has become the tradition of this international organization to grant a second term to all of its secretaries general. In view of this, MERDEKA asks why the case of Butrus-Ghali should be an exception.

It seems that the United States is instigating a concerted effort to remove the former Egyptian foreign minister from his post. This has been done by citing several of Butrus-Ghali's failures, such as the slow dispatch of UNPROFOR [United Nations Protection Force] peacekeepers to Bosnia and the failures of UN peacekeeping missions in Somalia and Burundi.

In view of this, it is only proper that Indonesia, as the founder of the Nonaligned Movement, should call upon the world to fight for Butrus-Ghali. This is because the United States' obstructive attitude cannot be used to set a precedent for the future.

### Laos

#### Laos: Foreign Minister Meets PRC's Qian Qichen in Jakarta

BK2507085796 Vientiane Vitthayou Hengsat Radio Network in Lao 1200 GMT 24 Jul 96

[FBIS Translated Text] Qian Qichen, PRC Vice Premier and Foreign Minister, said on 22 July that China gave support to the survey of the Mekong river so as to contribute to economic development in this region.

During his meeting with Lao Foreign Affairs Minister Somsavat Lengsavat at the Hilton hotel in Jakarta, Qian Qichen said that there are a number of very favorable conditions for developing Sino-Lao cooperation because the two countries share a border and regularly trade across the border.

In return, our foreign affairs minister noted that in promoting development of relations between Laos and China, the Lao side has set up a joint committee for promotion of economic and trade relations. Laos will send a delegation to China in the near future to study ways of promoting economic and trade relations between the two countries.

**Laos: Report Details Recent Trade Talks With Iran**  
BK3007090096 Vientiane VIENTIANE TIMES  
in English 19-25 Jul 96 p 2

[Report by Sompadit]

[FBIS Transcribed Text] Lao agricultural products especially wood exports, are of special interest to Iran, said officials reporting on the recent visit of Foreign Minister Somsavat Lengsavat to the Islamic republic.

It was Mr. Somsavat's first visit to Iran.

The central focus of talks was trade. What does the Islamic Republic of Iran want from Laos and what does Laos want from Iran, the delegations asked.

"Traders from Iran are interested in Lao agricultural products and wood, while Laos is interested in importing gas, metal and sticky tar from Iran," said the director-general of the Asia Pacific, Africa Department of the Ministry of Foreign Affairs, Vang Lattanavong. He was part of the group that went to [Iran] on the five-day visit at the invitation of Iran's Foreign Minister, Dr. 'Ali Akbar Velayati.

"Laos will consider importing gas from Iran if the price is good," said Mr. Vang.

In addition to trade, the two countries discussed economics, training for state personnel and promoting investment. Since Laos is landlocked, the delegations also talked about the logistics of imports and exports.

"Thailand and Vietnam will be the countries which Laos and Iran will use for transiting products, but which one is more suitable is still under discussion," he said.

Mr. Somsavat has extended an invitation to the Minister for Foreign Affairs of Iran, Dr. 'Ali Akbar Velayati, to visit Laos.

The vice-minister of Foreign Affairs of Iran is planning to visit countries in the Asia region and Laos in the near future, as a previous vice ministerial delegation did in 1991, Mr. Vang said.

"The relationship between the two countries is good and this visit has contributed to strengthening further that relationship," he said.

The Lao delegation was in Iran from July 8-13.



## Philippines

### Philippines: Ramos Allows APEC Leaders To Bring Security to Meeting

BK3007033296 Manila MANILA BULLETIN in English 30 Jul 96

[Unattributed report — received via Internet]

[FBIS Transcribed Text] President Ramos assured yesterday that the government will take special precaution in securing the 17 leaders who will be coming to the Philippines for the 14th [as published] Leaders' Meeting of the Asia-Pacific Economic Cooperation (APEC) in November.

The president said the 17 heads of state will also be allowed to bring their own security staff, including their own bomb-sniffing dogs.

The extra precaution was ordered by Mr. Ramos in light of the bombing of the Olympic Village over the weekend in Atlanta and the explosion of the TWA Flight 800 off New York's Long Island last 17 July. Both incidents have been attributed to terrorists.

"Each one will be allowed to bring their own security, but we will provide close-in security and technical intelligence," the President said.

The chief executive added that he had asked participating leaders to support the Philippine Government in security through information gathering.

"We will not allow somebody's dog to be sniffing at another leader. You sniff your own," he stressed.

On the report that former communist leader Felimon Lagman is planning to sabotage the APEC Leaders' Meeting, he said they are not minimizing or discounting any information they receive.

President Ramos said the Philippines had gone through a more difficult and much more sensitive situation during the visit of Pope John Paul II in January 1995.

"We are quite confident we can handle it," he added, referring to the APEC security demands.

APEC is composed of Australia, Brunei Darussalam, Canada, Chile, People's Republic of China, Hong Kong, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Philippines, Singapore, Chinese Taipei, Thailand, and the United States of America.

### Philippines Editorial: Security Council Lying on Reported APEC Threat

BK3007063596 Manila TODAY in English 23 Jul 96 p 10

[Editorial: "Almonte lying"]

[FBIS Transcribed Text] Everybody in the media with the importance of a little finger has been privy to the plans of the militant labor sector to use the Asia-Pacific Economic Conference to draw some public attention to certain issues. Filemon "Popoy" Lagman has been announcing that his fledgling labor group, which he claims is growing by leaps and bounds, is set to stage mass demonstrations on labor issues such as the perfectly sound view that trade liberalization threatens jobs in the short term. It does and trade liberalization is APEC's main agenda.

Revolutionary action has shot its wad. Lagman has already taken the only option of going legit, just like Nur Misuari [Moro National Liberation Front chairman], except that Lagman still cannot bring himself to do the vomitable — i.e., to join the party of thieves, Lakas-NUCD [Power of the Nation-National Union of Christian Democrats]. Lagman's political plans include such clever capitalist schemes as abolishing the SSS [Social Security System] and having premiums collected and held in trust by the labor organization, abolishing Pag-ibig [home development mutual fund] contributions and ditto. In short, becoming Jimmy Hoffa. He may get his wish. No part of Hoffa has ever been found.

No group in the Philippines has the capability to engage in effective terrorist acts against the APEC affair, other than blowing up a small device in an LRT [Light Rail Transit] stop in Caloocan. But the military already did that. Therefore, no group has a motive to do it, even foreign ones now that the TWA explosion has the vast intelligence capability of the United States deployed and its punitive power in a state of readiness.

Therefore, no group will even think of engaging in terrorist acts against APEC. What there is capability for are the usual demonstrations for certain issues, such as giving away the country's economic advantages in the name of consensus — just as the Philippines, for consensus's sake, gave away its moral edge in the Burma issue over such ethically retarded nations as Indonesia, Singapore, and Malaysia (whose political philosophy actually encourages bribery).

Anxiety about labor agitation during APEC has already inspired the resurrection of a murder charge against Filemon Lagman, just as the abandonment by Misuari of his integrity has dropped murder and rape charges against him.

Organizing for mass demonstrations against APEC is a perfectly legitimate activity. Even the waiters at the Hotel Inter-Continental threatened to do it, but they couldn't wait, so they're already on strike. As a result, the hotel has lost the patronage of the coffee shop hangers-on of the 365 Club. (Is it possible the waiters were put up to it by management? The club has moved to another place.)

Indeed, demos are legitimate at any time. What they are not is tasteful or smart. But that's labor's lookout. What it might prove, if there's a screw-up, is how weak labor is.

What labor agitation genuinely threatens to do is drown out some pretty useful discussions on certain key issues of public concern — such as the threat of dumping by the West, say of nicotine and therefore cancer-enhanced U.S.-made cigarettes in the name of cooperation. (No, thank you, Asians would rather die from their homegrown weeds.) But there are other issues that could prove beneficial to us, such as the mutual recognition and equal compensation of labor skills throughout APEC.

Demonstrations at APEC, though tasteless in our view, can serve a purpose, which is to articulate those views about APEC economic policies that we cannot expect the guest list at the APEC affair to uphold — the same tired old faces of the local chamber of commerce who represent nothing but their penniless presence and the views that this or that economic interest, usually foreign, pay them to represent.

If properly handled, demonstrations can teach morally backward countries in APEC — i.e., those that deny basic rights of free speech, press, assembly, and labor organization — how morally advanced societies handle diversity of views and conflicts of interests. The mass and inutile actions against the president's State of the Nation Address already provided a dry run for the proper handling of such events.

That was the proper way to do it. The improper way is to heap old charges and, worse, make up new ones against potential organizers of mass actions. It is never proper to lie and that is exactly what the National Security Council is doing by saying that Middle-Eastern-style terrorist actions are planned against APEC heads of state or delegates. The council is lying. And it knows it. And the public knows it.

Why not co-opt Lagman? (In fact, we suspected this had been done already by the council.) It's been done with Misuari and it works divinely. He even wants to change the Constitution.

## Thailand

### Thailand: Ministry 'Likely' To Delay ASEAN Financial Meeting

BK3007051296 Bangkok THAILAND TIMES  
in English 30 Jul 96 p B2

[Report by Warani Kunawasen]

[FBIS Transcribed Text] Bangkok: The first formal ASEAN finance ministerial meeting proposed by former Finance Minister Surakiat Sathianthai and set to take place in Ko Samui, Surat Thani province, in August is likely to be postponed. A source from inside the Finance Ministry said Minister Bodi Chunnanon has only just received the details and the preparation may not be ready.

The source said the meeting will focus mainly on the issue of financial liberalization. The last, informal, ASEAN finance ministerial meeting assigned each member to study individual issues pertinent to their country's situation.

Thailand is to study financial service liberalization, Malaysia will focus on cooperation to help maintain the ASEAN currency exchange rate, Vietnam, the cooperation of ASEAN customs taxes and customs operation, Indonesia will report on financial services conforming to the General Agreement on Trade in Service (GATS), the Philippine's representative will study ASEAN tax system structure, Brunei is focusing on the initiation of mutual insurance liberalization, Singapore will study mutual stock market liberalization and the ASEAN General Secretary's office will report on ASEAN's former financial service operations.

Thailand's study, the initiation of financial service liberalization, will emphasize three businesses; commercial banks, finance and securities, and the insurance business. It is to be completed before the GATS enforcement.

Concerning the commercial bank business, the source said the report is expected to include a summation of the liberalization of the banking business in ASEAN countries.

Thailand showed support in the scheme by allowing ASEAN members at least two licenses each for second round Bangkok International Banking Facilities (BIBFs). In the report of the ASEAN finance and securities cooperation Thailand will propose the meeting to consider ASEAN cross border listings. Apart from mutual branch liberalization initiation, in terms of insurance business Thailand will raise the issue of establishing the ASEAN re-insurance business to prevent high outflows

of premiums to the United States and European countries.

The source added there will be a working group meeting this week to establish Thailand's position for the ASEAN finance official meeting in Brunei this August. It will prepare the agendas for the ASEAN finance minister meeting.

Thailand's representatives at the meeting in Brunei will be Fiscal Policy Office Director General Somchai Ruchuphan and officials from the Commerce Ministry, Bank of Thailand and the Finance Ministry.

The structure for supervising the ASEAN finance minister meeting will depend on the ASEAN nation's leaders. Previously the issue failed to reach a consensus at the ASEAN economic ministerial meeting (AEM) since AEM wanted the conclusions of the ASEAN finance ministerial meeting submitted before the ASEAN summit leader meeting.

However it is expected the ASEAN finance minister meeting will help to progress the initiation of the financial service liberalization and lead to the ASEAN fiscal cooperation that GATS hoped to achieve. The service liberalization launch can be operated within 18 months according to the last ASEAN summit meeting. They agreed to launch service liberalization in three sectors; tourism, communication and transportation and financial services.

#### **Thailand: Summit Urges Fiscal Measures To Tackle Economic Woes**

*BK3007075496 Bangkok BUSINESS DAY in English  
30 Jul 96 p 1*

[Report by Staff Writers Sawittri Muatmuang and Oranan Pawiwan]

[FBIS Transcribed Text] More fiscal measures should be implemented to ease the problem of a high current account deficit and inflation and to increase the domestic savings rate, Deputy Prime Minister Dr. Amnuai Wirawan said yesterday.

He was speaking after a brainstorming session of senior officials and prominent members of the private sector to find ways to revive the flagging economy.

The deputy premier, who has special responsibility for overseeing the economy, said concerned agencies will have to meet and discuss which fiscal measures should be introduced to help improve the economy.

Details of possible fiscal measures will be discussed later, he added.

Joining Dr. Amnuai in the meeting yesterday were Finance Minister Bodi Chunnanon, Bank of Thailand Governor Roengchai Marakanon, Securities and Exchange Commission Secretary-General Pakon Malakun na Ayutthaya, Stock Exchange of Thailand President Sing Tangthatsawat, Thai Bankers Association President Dr. Olan Chaiprawat, Association of Securities Companies Chairman Wicharat Wichitwatthakan, Association of Finance Companies Chairman Pin Chakkaphak, Association of Listed Companies Chairman Prakit Prathipasen and a representative from asset management companies, Wiwan Tharahirunchot.

Apart from trying to identify the right fiscal measures and exactly what to tax, and at what rate, to curb rising inflation and to tackle the current account deficit, the Government will take into consideration postponement of some low priority infrastructure projects to rein in spending considered to be contributing to the current economic malaise.

Infrastructure projects deemed less important will be put on hold while vital ones will be expedited, said Dr. Amnuai.

Addressing the issue of a slowdown in exports, Dr. Amnuai said the key issue was Thailand's competitiveness and called on all parties involved to help boost export earnings.

Thailand's export growth for the first half was 5.7 percent which followed an earlier full-year forecast of 18 percent, although this was cut to 14 percent last week. Dr. Amnuai said he thought the revised target was achievable.

Meanwhile Mr. Bodi said he had discussed with the Fiscal Policy Office moves to come up with the most accurate economic figures to make them a benchmark to help end confusion over the dissemination by officials of economic information.

In order to set a benchmark, agencies presently responsible for producing economic information including the central bank, the Thailand Research Development Institute and the National Economic and Social Development Board will have to co-ordinate the compilation of statistics.

The Finance Ministry will try to push 1996 economic growth to 8 percent despite the reduction of the full year central bank forecast to 7.8 percent a week ago, he said. Some manufactured goods such as computer chips are expected to help improve the exports in the second half of this year, said Mr. Bodi.



**Thailand: Bank Governor Rules Out Possibility of Baht Devaluation**

BK3007045196 Bangkok BANGKOK POST  
in English 30 Jul 96 pp 17,26

[Report by Chonlada Ingsisawang, Thanom Phiphityakon, and agencies]

[FBIS Transcribed Text] Bank of Thailand Governor Roengchai Marakanon has ruled out the possibility of a baht devaluation for the foreseeable future, saying the country is well adjusted to the daily fixing system based on a basket of currencies.

"There definitely won't be any baht devaluation," Mr. Roengchai told a news conference in Bangkok yesterday.

The announcement followed rumours spread in Hong Kong yesterday morning of the possibility of a baht devaluation soon. This, coupled with news of political uncertainty in Indonesia, forced the currency down against the US dollar.

The baht was under selling pressure all day, despite earlier denials by a central bank official that there was no devaluation. It was trading at 25.325 to 25.345 to the dollar in mid-afternoon dealing, compared with 25.314 to 25.317 on Friday.

Mr. Roengchai said the central bank responded to yesterday's rumours by pumping about four billion baht through the bond repurchase market in a bid to cool panic selloffs of baht. The declining SET [Stock Exchange of Thailand] index had also increased selling pressure. The central bank sold US\$340 million into the money market through commercial banks.

It also raised the interest rate in the repurchase market from 9.75% to 10.25%, in line with the uptrend of short-term rates locally.

Mr. Roengchai said Thailand's high interbank rate, which jumped to 16-18% early yesterday from 9.75-10% on Friday, was affected by political uncertainty in Jakarta and jittery Indonesian markets.

Jakarta shares closed 3.7 lower yesterday in a selloff following weekend street riots. There were reports of capital flight. Transfers out of rupiah accounts would not threaten the banking system but with the Bank Indonesia forced to intervene to hold up the currency fears in money markets would serve to delay future interest-rate cuts.

Suthi Losophonkun, vice-president of the treasury office at Nakonthon Bank, said the current situation is testing Thailand's money market, with echoes of the crisis sparked by the Mexican peso crash of January 1995.

However, Mr. Suthi said he believed the country could weather the crisis as the Bank of Thailand remained firm in its determination not to devalue the baht under any circumstances.

Dealers said interbank rates surged as banks were cautious about lending funds amid rumours of a possible devaluation. Thai Farmers Bank's interbank rate shot up to 23-25% relative to last week when rates peaked at about 16%.

The exchange rate between the baht and greenback also showed a slight decline. The exchange rate was at 25.34 baht yesterday, compared with 25.24 baht last week.

The Hong Kong rumours had spread following the release of Thai economic figures late last week.

The Economic Stability and Security Policy Committee projected that the current account deficit this year would be 8.1% of gross domestic product equivalent to last year's figure.

However, the Bank of Thailand said the deficit would be about 7.8% of GDP higher than its earlier projection of 6.5%.

"It's not unusual for shortterm movements of the baht. But there will never be baht devaluation definitely," Mr. Roengchai insisted.

Deputy Prime Minister Amnuai Wirawan said investors in Hong Kong financial markets had picked up the devaluation rumours from their Thai counterparts.

**Thailand: SET Issues Measures To Boost Liquidity in Market**

BK3007040296 Bangkok BANGKOK POST  
in English 30 Jul 96 p 1

[Report by Butsakon Phothesunthon]]

[FBIS Transcribed Text] The Stock Exchange of Thailand [SET] last night issued a package of measures designed to shore up the stock market which has continued to plunge since Prime Minister Banhan Sinlapa-acha came to power a year ago.

The package of eight measures follows the Government's move to launch strategies to tackle the country's long-term economic problems, particularly the poorer-than-expected export performance.

The strategies were worked out at a meeting of Deputy Prime Minister Amnuai Wirawan, Finance Minister Bodi Chunnanon, and Bank of Thailand Governor Roengchai Marakanon yesterday morning.

Most of the measures are aimed at boosting liquidity in the stock market to make the market more active.

The first two measures will take effect on August 15, according to SET vice president Surat Phalalikhit.

The first one reduces the size of transaction categorised as a big lot deal from 10 million baht per transaction to five million baht.

A big lot transaction means a buyer and a seller of any particular listed stock can settle the price of the transaction out of the market, either higher or lower than the market price. This would encourage more trading on the stock market, Mr. Surat said.

The second measure allows brokers to act as market makers, meaning they will be allowed to buy any stock to shore up its price.

The SET will reduce the volume of offshore tradings — transactions agreed between foreign investors outside the country and are not registered in the focal market.

To do so, the SET will not register new holders if the transactions are not dealt through the local market. This measure will help boost income for local brokers and at the same time increase the transaction volume.

At present, offshore tradings account for about 10 percent of the daily trading volume in the local market, according to Mr. Surat.

The next measure requires the SET to implement the net settlement system. At present, an investor will have to settle his buyings in any stock first although he will sell the stock on the same day. But under the net settlement system, he will pay only the difference if his buying price is higher than the selling price, and make gains in case he sells at a higher price.

However, Mr. Surat said it would take some time before these two measures became effective.

A credit balance system will also be introduced. This measure means investors borrowing margin loans from brokers can ask for larger loans in case the prices of the stocks they want to buy with margin loans are higher. This practice is not allowed at present.

A Thai trust fund — a mutual fund for foreign investors — would be established soon, Mr. Surat said.

This will enable foreign investors to buy more Thai shares. At present, foreigners' holdings in Thai shares are limited by law — mostly at not more than 49 percent of a listed company's registered capital.

But the Thai trust fund, which will be registered as a juristic person, can buy shares of any company without limit. However, it will have no voting rights.

The SET would also use money from the Securities Development Fund to develop the securities business,

helping brokers to save their business development costs, Mr. Surat said.

## Vietnam

### SRV: Article Views China's Claim to Paracels

BK3007064996 Hanoi TAP CHI QUOC PHONG  
TOAN DAN in Vietnamese Jun 96 pp 69-72

[Article by Nguyen Hong Thao: "Concerning China's Statement on the Use of the Base Line To Compute the Width of Territorial Seas"]

[FBIS Translated Text] In conjunction with ratification of the UN Convention on the Law of the Sea, the PRC National People's Congress Standing Committee issued a statement on 15 May 1996 reiterating Article 2 of "The Law on China's Territorial Seas and Contiguous Areas," which was made public on 25 February 1992.

At the same time, the PRC Government also issued another statement on the base line in which there are stipulations regarding the base line of Vietnam's Paracel archipelago, which China called Xisha. In view of this issue, what our Foreign Ministry spokesman has said is true: "Article 2 of the Law on Territorial Seas and Contiguous Areas," which was promulgated on 25 February 1992 and claims that Vietnam's Paracel and Spratly archipelagos are part of Chinese territory, constitutes "a violation of Vietnam's sovereignty. A 4 March 1992 protest note on these stipulations from the Vietnamese Foreign Ministry to its PRC counterpart points out: "Vietnam has indisputable sovereignty over the two archipelagos of Paracel and Spratly, and it also has sufficient historical evidence and legal basis with which to prove its sovereignty over these two archipelagos.

— China's drawing of the base line for the Paracel archipelago constitutes a new and grave violation against Vietnam's territorial sovereignty and runs counter to international law.

— These Chinese Government stipulations regarding the Paracel and Spratly archipelagos are invalid in legal terms and are unacceptable to and not good for the development of bilateral relations."

According to the 15 May 1995 [year as published] statement, the PRC's base line consists of three types:

1. The base line of the part contiguous to China's mainland is made up of 49 points, starting from the southern point of the Sandong Gaojiao peninsula located to the west of the Hainan Island (at 37 degrees and 24 minutes north latitude and 122 degrees, 42 minutes, and 3 seconds east longitude).

2. The base line that is contiguous to the Paracel archipelago is made up of 28 points, linking all the points that jut out to sea such as islands, rocks, and the archipelago's sand banks.

3. Other remaining base lines of the PRC's territorial seas will, according to the statement, be made public later.

Worthy of note is that the northern part of the base line—the portion covering the territorial seas contiguous to China's mainland—is drawn to overlap those areas under Taiwan's control, but Taiwan itself and Penghu are placed outside this base line. In the southern area, based on Point 2 in the Chinese People's Congress Standing Committee statement, one can see that the remaining areas with their base lines to be stipulated later will cover the area from the west of Hainan Island to the mouth of the Beilun River and Vietnam's Spratly archipelago, which China called Xisha and to which China has laid its illegal claim.

World public opinion maintained that by declaring this base line, Beijing has unilaterally expanded its territorial waters seven fold to 3 million square kilometers from 370,000 square kilometers, including the Hoang Sa and Truong Sa Archipelagoes, causing deep concern for countries in the region [Footnote 1. RFI [Radio France International], 16 May 1996].

China is a major world sea power and the 87th signatory to the 1982 United Nations [UN] Convention on the Law of the Sea. Its ratification of the convention testifies to its commitment to abide by the common provisions of the international law on the settlement of sea conflicts, including the sea disputes between China and countries in the region, thus putting an end to the lack of transparency of China's law of the sea. It is expected that through its participation in the 1982 Convention, the PRC will make a truly worthy contribution to the establishment of an equitable new legal world order and to the preservation of peace and stability on the seas and oceans in general and in the region in particular. Nonetheless, many points of China's declaration of this base line run counter to that spirit and are at variance with the 1982 Convention, causing deep concern for the countries involved.

Concerning the base line for the territorial waters adjacent to mainland China.

As far as international laws are concerned, each country has the right to determine the base line of its territorial waters, provided that this delineation conforms with international laws and practices. China declared its straight base line on the same day with its ratification of the 1982 UN Convention on the Law of the Sea. By

doing so, China has the obligation to draw a straight base line based on Article 7 of the 1982 Convention. Under this article, a straight base line will be applied to areas where the seashores are deeply perforated and uneven, where a group of islands are located next to the base line and stretch along these seashores, or where the formation of the seashores is very unsteady due to the presence of a delta or other natural features. Nonetheless, clause 3 of this article states that these straight base lines must not deflect too far away from the general declination of the seashores and that the territorial waters behind these straight base lines must be close enough to the mainland in order to be part of the internal waters system. These straight base lines must not originate from or extend to sandbars, except for cases in which sea lighting devices or similar equipment are installed in those territorial waters or except for cases in which the delineation of these straight base lines has already been recognized by international laws.

It can be said that countries with seashores facing or adjoining China will surely make thorough studies and give practical views on the stretches of the base line that fall under China's declaration and that affect them. Generally speaking, the system of straight base lines adjoining mainland China is located close to the general declination of seashores. Nonetheless, some stretches of this base line have not been delineated according to the provisions of the Convention, for example, stretch 31-32 from Da Buom Lon (Dafanshi) to the That Chau Archipelago (Qizhouledao) offshore the Strait of Quynh Chau. This stretch is 104 nautical miles long and its farthest point is 66-70 nautical miles offshore (compared with an island near the Nam Tam seashore in the Quynh Chau Lagoon area). This stretch of the straight base line has been determined to belong to China's internal waters and it covers an area of about 5,190 square nautical miles (or 17,800 square kilometers). It deflects by 40 degrees compared with the common declination of the seashore, twice the standard deflective angle between the common declination of the seashore and the straight base line that the UN Committee for Sea Affairs and Law of the Sea has advised all nations to use to interpret Article 7 of the Convention.

It is obvious that various criteria on drawing a straight base line as stipulated in the Convention were violated. Clause 5, Article 7 of the Convention stipulated that "When the method of drawing a straight base line is applied under the stipulations of Clause 1, this base line can be determined on the basis of the special economic interest of the region situated on the base line, especially when its reality and significance can be testified by a long period of exploitation." The fact that



China drew a long base line on a vast sea area inside a number of the straight base line stretches, namely, 31-32 and 32-33, without sufficient premises to testify its special economic interest through a long period of exploitation in accordance with Clause 5, Article 7 of the Convention, is absolutely irrational, as is China's annexation of the areas in these base lines as its internal waters. Moreover, one cannot refer to Clause 5 if the criteria on drawing a straight base line as stipulated in Clause 1 have not been met.

China may take Article 10 of the Convention that deals with drawing a base line on a gulf's entrance as applying to the eastern sea area of the Quynh Chau [Qiongzhou] Strait, but again this does not correspond to the letter of the Convention. The Convention stipulated that a gulf is a curve of the sea that clearly juts into the mainland for some distance, so that its depth should be equal to the width of the entrance of the gulf, which is surrounded by the sea coast, and its curve should be deeper than a normal curve of a sea coast. However, a curve is considered as a gulf only when its area is at least half of a circular shaped area with a diameter equal to the width of its entrance. According to Clause 3 of Article 10, the area of a sea curve is calculated by multiplying the straight line drawn across the lowest tide level along the coastal area of that curve with the line drawn across the lowest tide level area at the natural entrance of that curve. If the gulf has several islands and many entrances, the round shape area should have a diameter equal to the width of all the entrances. However, when the natural entrance of a gulf is longer than 24 nautical miles, it is necessary to draw the 24-nautical mile straight base line inside the gulf's entrance to ensure the maximum area inside the gulf. As a result, if Quynh Chau is considered a gulf as stipulated in Article 10 of the Convention, the drawing of a 104-nautical mile straight base line across the gulf's entrance is a violation of Clause 5 of this Article.

The act of narrowing the entrance of the "Qiongzhou Gulf" on the eastern side of the Quynh Chau [Quongzhou] Strait has created obstacles for foreign ships using their transit rights — in accordance with stipulations of the Convention — through Quynh Chau, the traditional international strait linking the Tonkin Gulf with the Eastern Sea [South China Sea]. China has not objected to the transit rights of foreign ships passing — harmlessly — through its newly annexed areas of internal waters in accordance with Clause 2, Article 8 of the Convention. However, one is skeptical whether China will continue to unilaterally apply this method to the western side of the Qiongzhou Strait.

Determining the base lines adjacent to the Hoang Sa [Paracel] Archipelago.

China's method of determining the base lines at the Paracel Archipelago has violated two fundamental principles: a violation of Vietnam's territorial integrity and a violation of the stipulations of the International Law of the Sea, the part dealing with drawing a base line. Everyone knows that Hoang Sa and Truong Sa [Spratlys] are Vietnamese territories. Vietnam has adequate historical evidence and legal warrant to justify this. In 1974, China used its forces to encroach upon the Truong Sa Archipelago, where troops of the former Saigon puppet regime were stationed. This act ran counter to the principle of prohibiting the use of force or threat to use force as stipulated in Clause 4, Article 2 of the charter of the United Nations, China being a permanent member of its Security Council.

Resolution No. 2625 (XXV) dated 24 October 1970 issued by the UN General Assembly confirmed that "all territorial acquisitions by means of the threat of force or by force are illegal." Following the announcement on "the ordinance on territorial seas and contiguous areas" on 25 February 1992, the action by China unilaterally drawing the base line on the Paracel Archipelago, which belongs to Vietnam, is a new, serious violation of Vietnam's territorial sovereignty and contrary to international law. This violation renders all "China's stipulations on the base line for the Hoang Sa [Paracel] Archipelago legally invalid and unacceptable" [Footnote No. 1: Declaration by SRV Foreign Ministry spokesman on 16 May 1996 on China issuing declaration 15 May 1996 on the base line], not beneficial to the development of bilateral relations, and against the spirit of the Vietnam-China high ranking agreement on solutions for territorial border issues, including the issues related to the Hoang Sa and Truong Sa [Spratly] archipelagoes.

If we put aside the issue of territorial sovereignty and consider only the technical side of the base lines for Hoang Sa drawn by China, we can notice a failure to comply with the spirit and letter of the UN Convention on the Law of the Sea in 1982. An entirely straight base line connects all the protruding points of the outermost islands and shoals of the archipelago, such as: Da Bac Island (Beijiao), Cat Tay Shoal (Zhaoshudao), Bac Island (Beidao), Nam Island (Nandao), Lincon Island (Dongdao), and Da Bong Bay Island (Langghuajiao). The longest lines are the 3-4 line (Lincon-Da Bong Bay), which is 36.3 nautical miles; the 7-8 line (Da Bong Bay-Da Triton), which is 75.8 nautical miles; the 14-15 line (Da Triton-Da Bac), which is 78.8 nautical miles; the 22-23 (Da Bac-Con Cat Tay), which is 41.5 nautical miles; and the 28-1 line (Dao Nam-Dao Lincon), which is 28 nautical miles. It is obvious that China uses the method of drawing base lines that applies only to archipelago countries (Article 47 of the

Convention) and uses this method to draw base lines for offshore islands belonging to a continental rim country. Article 47 says: Archipelago countries can draw the straight base lines of the archipelago connecting the outermost points of the furthest islands and shoals that sometimes emerge from below the waterline, provided that the base lines cover all major islands and determine an area that has the proportion between water, including coral reefs, and land portions ranging between 1/1 and 9/1. The area covered by the base lines drawn by China here extends to a exceedingly-wide area of 17,000 square kilometers, while the total area of above-water islands is only 10 square kilometers. Moreover, most shoals and coral reefs that China uses here are not suitable for human habitation, nor do they have any particular economic role. According to Article 121, all islands of the Hoang Sa Archipelago can only have areas of territorial waters of 12 nautical miles, with no area of economic privilege and no continental shelf of their own. And all these islands are all over 24 nautical miles apart from each other. So there are no reasons for connecting base lines in such a manner. Therefore, the drawing of a system of base lines around the islands, islets, and shoals of the Hoang Sa Archipelago, as well as the sovereignty claims on the waters inside and outside the base lines, which all go beyond the limit of a maximum water area of 12 nautical miles for each island, are technically all contrary to the stipulations of the 1982 Convention.

Being a country in the East Sea [South China Sea] and a member of the Convention, and at same time being the legal owner of the two Hoang Sa and Truong Sa archipelagoes, Vietnam once again reiterates its sovereignty over the two archipelagoes and requests other countries to respect Vietnam's territorial sovereignty in accordance with international law, to fully observe the law on the sea, especially the 1982 Convention on the Law of the Sea, which is considered the basic legal foundation and guidance for all countries in the exploitation and use of the sea as well as in resolving all disputes related to the sea. While efforts to seek long-term and fundamental solutions for the disputes on the East Sea are being carried out, all parties concerned should refrain from causing more complications for the situation and disturbing the peace and stability of the region.

**SRV: Party Congress Socioeconomic Report**

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["Report on socioeconomic development orientations and tasks for the five-year 1996-2000 period" presented by the Seventh Party Central Committee at the Eighth

National Party Congress of the Communist Party of Vietnam in Hanoi on 28 June-1 July]

[FBIS Translated Text]

**Part One: Evaluation of the situation regarding the implementation of the Five-Year 1991-1995 Plan**

At the beginning of the nineties, the renovation process attained initial yet very important successes. The economy was, however, noted for its slow growth rate, instability, and decline in certain areas amid a complex changing world situation. Our country then was still in a situation fraught with fierce difficulties and challenges.

The Seventh Party Congress set forth general targets for the five-year 1991-95 period, which consisted of "overcoming difficulties and challenges, achieving socioeconomic stability and development, strengthening political stability, dispelling negative phenomena and social injustices, and basically bailing our country out of the existing crisis situation."

After the five-year implementation of the Seventh Party Congress resolution, thanks to great efforts made by the party, state, and people, our country's economy has been able not only to stand firmly on its own feet in the face of fierce challenges but also to score many great achievements of paramount significance. Various aspects of the socioeconomic situation, however, still display many weaknesses.

**I. Things that have been done.**

1. Economic stagnation and decline have been overcome. The economic growth rate has been high, constant, and relatively comprehensive. Almost all of the main targets of the five-year 1991-95 plan have been fulfilled.

An average annual growth rate of 8.2 percent in the gross national product (GDP) has been attained (compared to the planned target of 5.5-6.5 percent).

Average annual industrial production output has increased by 13.3 percent (compared to the planned target of 7.5-8.5 percent) with certain sectors reporting a high growth rate. Compared with 1990, in 1995 the industrial sector (including the oil and gas industry) successfully increased its output by 3.2 fold, the electricity sector by 1.6 fold, the building materials sector by 2.7 fold, and the food processing sector by 1.9 fold.

Agriculture recorded an average annual growth rate of 4.5 percent (compared to the planned target of 3.5-4.5 percent). The gross volume of grain production over the past five years has increased 26 percent over that in the preceding period, thus creating fundamental conditions for stabilizing the people's life, developing branches of

trade and occupations, and restructuring agriculture and the rural economy. Aquacultural production output has increased considerably. The value of marine products export in 1995 trebled that of 1990. The percentage of forested land area has started to rise thanks to efforts to step up afforestation, to zone off areas for tree nursery and forest protection, and to restrict logging activities.

The number of service sectors in 1995 were up by 80 percent over that in 1990 (with an average annual increase of 12 percent). Communications and transportation showed some improvements with the volume of cargo transported up by 62 percent. The telecommunications sector recorded rapid development with the turnover generated from postal and tourist services showing a 10-fold increase. The domestic commodity market developed and met the ever-growing demands of the public in terms of quantity, quality, and ranges of goods.

In the financial and monetary domains, remarkable improvements have been achieved, the most prominent of which being that we have been able to contain the high inflation rate and to gradually dispel inflation. Price indexes for commodities and services dropped from 67.4 percent in 1991 to 17.5 percent in 1992, 5.2 percent in 1993, 14.4 percent in 1994, and 12.7 percent in 1995.

We have been able to shape up a uniform tax system applicable to all economic components, to gradually increase the proportion of tax money and fees in the GDP, to turn taxation into a main source of collection for the state budget, to ensure routine spending, and to gradually increase savings for development investment. We have been able to contain the level of the budget deficit and to stop the printing of more banknotes to offset overspending, replacing this measure with the borrowing of money from among the people or from foreign countries.

In the monetary and credit areas, we have been able to draw a clear-cut line between the governmental management functions of the State Bank and the commercial duties of trade banks. Improvements have also been noted in the regulation of the monetary flow, the stabilization of the value of the Vietnamese currency, the management of foreign currencies, and the establishment of a legal foreign exchange market, as well as in other credit and financial settlement activities.

The proportion of capital investment in social development has increased considerably. Estimated capital investment in social development over the past five years have been put at \$18 billion (based on the average exchange rate in 1995) with the amounts owned by the state accounting for 43 percent (including investments through the state budget, state credit funds, and state

enterprises); the amounts owned by the people for over 30 percent; and amounts obtained from direct foreign investments for 27 percent of the total. As for state enterprises, we have shifted vigorously from a form of budget allocation characterized by subsidies to a form of credit investment, expansion of joint ventures and partnerships, and domestic and foreign capital loans. More state investment capital has been directed at building the infrastructure. Capital investment from the people has developed in both the rural and urban areas. The average annual growth rate of direct foreign capital investment attracted over the past five years has been put at 50 percent, with the amounts of capital really put down in various projects accounting for approximately one-third of the total capital registered.

Results obtained from development investments have helped increase the production capabilities of agriculture, forestry, fishery, industry, and services and have put into operation a number of important economic projects, especially those having to do with communications, water conservancy, oil and gas, steel, cement, and tourist service establishments.

2. An economic structure based on sectors and regions has begun to shift to industrialization, and a multisectoral economic system has been established.

The sectoral economic structure:

With regard to GDP, agriculture, forestry, and fisheries increased fairly well in terms of absolute value, but decreased to 38.7 percent from 29 percent in 1995 in terms of volume. Industry and construction increased to 29.1 percent from 22.6 percent, and services to 41.9 percent from 38.6 percent. Agriculture and industry have made improvements, and the service industry has developed in diversified forms.

The regional economic structure:

The regional economic structure has been gradually formed along with the socioeconomic development planning of the various localities, urban areas, and territories, and of key economic zones in particular. Industrial centers and processing zones have also been established. By developing their strong points and increasing the volume of investment, a number of economic sectors and major cities, in particular, have achieved a high growth rate. A number of rural areas have developed quickly, thanks to the restructuring of production based on each locality's strong points and on the need to link production with market demands.

Components of the economic structure:

The state economic sector plays an important role in the economy and takes charge of key areas and essential



services, especially industry, infrastructure, finance, and credit. Many state business establishments now have access to the market, make in-depth investments, acquire new technology, and operate more effectively than before.

For many reasons, cooperatives engaging in agriculture, small industry, handicraft, marketing, and credit services performed very poorly at the initial stage of the shift to a new mechanism. A small number of them have now improved their organization and operating procedures, expanding their areas of activities and restoring or expanding their production and business operations. Though the cooperative economy has emerged under diversified forms, it has not yet become popular.

The individual or small owner economy has developed quickly in the agricultural, forestry, fishery, small industrial, handicraft, trade, and service sectors, thus greatly contributing to socioeconomic achievements.

The private capitalist economy has begun to make headway and has concentrated mostly on trade, services, and real estate. Investment in production remains insignificant. Small- and medium-sized business establishments play a key role. A small number of relatively large business establishments employ a large work force.

The state capitalist economy under the form of joint ventures between the state economic sector and the domestic private capitalist sector or the foreign capitalist sector has developed well. Foreign-invested business establishments have begun to contribute to economic development, have increased the export index, and have created employment directly or indirectly.

3. External economic relations have developed in many fields, the import-export market has been consolidated and broadened, and the volume of foreign investment capital has increased quickly.

The total export index in the framework of the 1991-1995 Five-Year Plan has reached more than \$17 billion (the planned target in the framework of this five-year plan was \$12-15 billion), thus guaranteeing sufficient imported materials, equipment, and goods to meet the demands of production and everyday life and contributing toward harmonizing the trade payment balance. With regard to product diversification, a number of new processed goods have been produced, and the volume of key export products like crude oil, rice, coffee, sea products, garments... has also increased.

The total import index has reached more than \$21 billion, including the import index of foreign-invested business establishments. The volume of imported materials and equipment has increased, thus meeting development needs. We have expanded our trade ties with

more than 100 countries and have access to many new markets.

The state has expanded the right to engage in import-export activities to business establishments belonging to different economic sectors and has promulgated a number of policies on export promotion...

Foreign direct investment (FDI) capital has increased quickly. By the end of 1995, the registered capital of licensed projects reached more than \$19 billion. The volume of investment in industrial production accounted for 40 percent of the total projected capital (if oil and gas were also taken into account, this would account for more than 60 percent), with more than 60 percent of this amount being reserved for in-depth investment. Investment distribution has covered more regions in the country. The main forms of investment are as follows: Joint ventures account for more than 65 percent of the total capital; 100 percent-foreign invested enterprises account for about 18 percent; and business cooperation contracts account for about 17 percent. The state has supplemented and perfected the legal framework for foreign investment step by step.

Relations with many countries and international financial institutions have been restored or broadened for cooperation and development purposes. A mechanism has been established to attract bilateral and multilateral development aid. The source of official development aid (ODA) has gradually increased in recent years and has been used mainly for socioeconomic infrastructural building purposes.

#### 4. New progress in science and technology.

We have focused on research into renovation and development-related theories and practices, which lays the foundation for the planning of lines and policies for our party and state. In the fields of natural science and technology, we have paid more attention to research work on applied sciences, especially in industries with high priority such as new materials, biological, and information industries. The application of research solutions and the transfer of advanced technologies into production and business activities have been strived after with greater effectiveness.

5. Positive socioeconomic changes have been acknowledged, and people's livelihood have been improved an additional step.

Education and training have begun to achieve encouraging progress after setbacks for a number of years. The literacy rate has risen to 90 percent. The rates of children attending primary and general secondary schools have risen, and the rates of students who repeat and drop out have declined. The network of general schools has

been expanded to cover all villages and wards, while their physical conditions have been improved. Many provinces and districts in mountain areas have boarding schools for children of minority ethnic people. The establishment of accelerated and selected schools has spread to many localities, in addition to the semi-public and the private schools that operate very effectively.

Vocational training schools and classes have developed in many forms. The systems of tertiary and technical secondary education were expanded in terms of magnitude, number of sectors included, and forms of training. Universities and colleges are being reorganized. The centers of national universities in Hanoi, Ho Chi Minh City, and three other regional centers are being shaped up.

Activities in the mass media, culture, and arts have developed well in terms of all categories and in their scale and quality, thus responding better to the demands for information and cultural and entertainment services by people of various strata and contributing more positively to the propaganda and education work, especially for the education of revolutionary traditions and the repression of negativity and harmful cultural influences. The radio and television transmission networks have been widened, while the quality of the broadcast reception has been significantly improved.

In the area of health protection, there has been progress in preventive hygiene measures against diseases and in programs to protect children and to fight malaria, goiters, and malnutrition. The proportions of people having access to clean water and people in rural areas served by local medical services have also risen. A number of local medical centers have been upgraded and better equipped. Medical insurance is being widely developed. Physical activity and sports have achieved encouraging results. Activities to protect the environment and the ecology system have begun to develop.

The job creation program helped approximately 1 to 1.2 million people to have jobs every year.

Population and family planning programs have become widespread, with obvious results. In the past several years, the birth rate has dropped consistently by about .001 percent each year.

The following social programs have received widespread support from the masses: the elimination of hunger and reduction of poverty; movements to show gratitude to the survivors of war heroes and war invalids; charitable activities; and care for children in difficult situations.

Living standards and the incomes of people of various strata have been improved at varying levels. The number

of poor households has declined. Hunger has been eliminated in many localities.

6. National defense and security are firmly safeguarded.

Adjustments of defense strategies and the consolidation of the all-people national defense system have been carried out with success. Defense regions have been strengthened. The coordination between economic and defense tasks has been implemented in various forms and has yielded preliminary results.

National security is firmly protected, and the people's security system is being consolidated. The resolute handling of some major law breaking cases exhibits our ability to maintain social order and safety and to develop law-governed spirit in both our life and work.

## II. Weaknesses.

1. The quality and efficiency of the economy remains poor, and the danger of its lagging behind is still great.

Our production force is still small, while our material bases, especially those in the infrastructure, are obsolete. Slow scientific and technological progress has been noted, while our educated, skilled, and business-capable human resource is still small and not used satisfactorily. Our social labor output has shown a slow increase. Product quality and the quality of various projects are, in general, still poor. Many types of goods have less competitive power than foreign-made goods.

The proportion of savings and investment is small, while the economy is in critical need of capital. Investments derived from the state budget are fragmentary. Investments continue to be used wastefully and ineffectively while investments made in production by the private sector are still small. Foreign investments and financial resources needed for development continue to grow slowly.

The average per capita growth rate of the GDP is still very low compared with that of certain neighboring countries.

2. Efforts to cultivate new production relations are still in a state of confusion and are loosely controlled.

The state-run economic sector has not yet been able to ensure its effectiveness and satisfactorily exercise its leading role. Other economic components have also failed to aggressively develop their latent potential and ensure that order and discipline are maintained in accordance with the law.

3. Financial and monetary activities are unstable and unhealthy.

The state budget is constantly strained, and overspending continues. The tax system, which is still complex and irrational and is marked by overlapping duties, is designed to promote production. It has, however, displayed many loopholes susceptible to exploitation. The division of budget management duties is still not reasonable. Budget management efforts are fragmentary in certain areas, while they are too concentrated in others. They are unstable and have displayed many negative phenomena that hinder dynamism and creativity. National property, the public financial sector, and the financial sector owned by state enterprises have not been closely managed, as negligence, losses, and waste exist.

Monetary and capital markets have developed slowly. The system of loan interest is not suited to the market system and, therefore, prohibits development investment. Instruments employed to regulate the monetary flow have not been used uniformly and effectively. The proportion of cash used in the market is still too great, and financial settlement activities not conducted via banks are still prevalent. Foreign currencies are still used in large number in domestic exchange. The source for a high inflation rate to make a comeback has not been completely eliminated.

The management of exports, imports, and foreign invested projects lacks correct promotional measures and is somewhat lax.

4. Social and cultural activities are still fraught with problems to be solved.

Education and training quality is still poor. Education activities in inaccessible, remote, and mountain areas are fraught with difficulties. The medical examination and treatment system has, for the most part, been declining in terms of material bases, quality, working spirit, and service attitude. Environmental and ecological pollution and destruction are now growing at an alarming rate. A number of epidemics and social diseases continue to pose a danger in some areas, and there is a danger that they will flourish. The number of HIV-infected people continues to rise. Unhealthy cultural activities and social vices continue to develop. The population growth rate is still high. The number of unemployed people in urban areas now accounts for approximately 7 percent of the population. The use of working time in the countryside remains at the lowest ebb.

The percentage of poor people, poor households, and poor villages is high. Unusual discrimination between the rich and the poor has taken place. The annual increase of over 10 percent in the consumer price index has created more difficulties for those people with low incomes. The corruption, smuggling, and racketeering situation continues to be left unchecked and has become

even more serious in certain localities. Certain aspects of social discipline and public order are still not good enough.

Generally speaking, the tasks related to socioeconomic stabilization and development set forth at the Seventh Party Congress for the five-year 1991-95 period have been fulfilled successfully. Many main targets of the five-year plan have been exceeded. The country has extricated itself from its socioeconomic crisis. Certain aspects of the socioeconomic life have, however, not been firmly consolidated. We have been able to create the necessary preconditions for ourselves to shift to a new stage of development—the stage in which industrialization and modernization will be stepped up. Yet, our country's economic and technological development is now still at its lowest ebb. There still exist many pressing problems in various aspects of the cultural and social life.

Though the achievements over the past five years can be attributed partly to our success in making use of the material bases built in the past, the decisive factor rests with the fact that the party-initiated renovation line and policy have encouraged hundreds of thousands of business people and tens of millions of workers in the rural and urban areas to take the initiative in exploiting all available resources to boost production and business operations. On the other hand, the irregularities and shortcomings displayed in the renovation process are also the main obstacles standing in the way of development.

It is necessary to point out that the renovation process has recorded great socioeconomic achievements. Nonetheless, the next stage of the renovation process will witness a more profound and increased scope of activity and also greater difficulties because of our need to face and resolve many complicated issues relating to the market economy and to our country's integration into the world community.

Part Two: Orientations, tasks, and key objectives of the 1996- 2000 Five-Year

## **Socioeconomic Development Plan**

### **I. Tasks and development objectives**

#### **1. General tasks:**

The period from now to the year 2000 is a very important new stage of development during which efforts must be made to accelerate national industrialization and modernization. It is the duty of our people to mobilize all resources, take advantage of all opportunities, and overcome all challenges in order to accelerate the renovation process in a comprehensive and concerted way.



We must make continued efforts to cause the multi-sectoral economy to develop according to the market mechanism and under the state management. Furthermore, we must strive to achieve or even surpass the targets set by the Socioeconomic Stabilization and Development Strategy to the Year 2000 as follows: Achieve quick, effective, and sustainable economic growth along with making efforts to resolve pressing social problems; guarantee national security and defense; improve the people's living standards; increase accumulations from within the national economy; and create firm premises for greater development in the early stage of the next century.

The aforementioned general tasks require the formulation and implementation of the 1996-2000 five-year plan to be built upon a thorough understanding of the following guiding principles:

— Realizing three economic objectives simultaneously, namely, high growth, sustainable development, and efficiency; firmly stabilizing the macro-economy; and preparing the premises for higher development after the year 2000, with a focus on human resources development, science and technology, infrastructure, and perfection of the mechanism.

— Continuing to implement a consistent and long-term policy to make the commodity-based multisectoral economy develop according to the market mechanism and under the state management, as well as in keeping with socialist orientations; and making use of all available resources to develop the work force and accelerate industrialization and modernization. It is necessary to improve organization and management and enhance the efficiency of the state economic sector so that it can develop its leading role. It is important to renovate the cooperative economy, diversify its forms of organization at all levels, and implement the Law on Cooperatives. Efforts must be made to expand joint ventures between the state and the private economic sector at home and abroad. Plans must be worked out to develop the potential of the individual, small owner, and private capitalist economic sectors. It is necessary to define, consolidate, and uphold the right of mastery of the laboring people in society, and to make constant efforts to bring about justice in society. — Harmoniously combining economic growth with social and cultural development and concentrating efforts on resolving pressing problems in order to effect marked improvements in our efforts to bring about justice and progress in society.

— Closely combining economic development with national security and defense; and making an effective use of all available resources to meet the goals of

both economic development and national defense and security protection.

— Combining the development of targetted economic zones and of other regions and providing the various localities with equal opportunities to bring into play their strong points and close a very wide development gap among them.

## 2. Main tasks and objectives:

Concentrated efforts must be directed at achieving development objectives. We must achieve an average annual economic growth rate of 9-10 percent. By the year 2000, the average per-capita level of GDP must double that of 1990 (higher targets must, however, be raised when it comes to providing guidance for work implementation).

Comprehensive agro-forestry-fishery development must be carried out in coordination with agricultural, forestry, and marine products processing industries and with efforts to renovate the rural economic structure along the direction of industrialization and modernization. It is necessary to increase the annual production output value of agricultural, forestry, and fishery products by 4.5- 5 percent.

We must develop various industrial sectors, with priority being given to developing the processing industry, commodities and exports manufacturing industries. We must selectively build a number of industrial establishments with an emphasis on those dealing with oil and gas, coal, cement, machinery, electronics, steel, fertilizer, and chemicals. We must also build a number of defense industries. Average industrial production output value must be up by 14-15 percent.

We must selectively renovate, upgrade, and build grassroots establishments, especially in weak areas where the situation is in a stalemate and is posing an obstacle to development.

We must develop service sectors. Concentrated efforts must be directed at promoting transportation, communication and liaison, trade, tourism, financial and banking operations, technological and legal services. The average annual growth rate for support services must be between 12-13 percent.

We must promptly increase the rate of investment in social development. Attention must be paid to increasing domestic savings and investments through budget allocation and encouraging enterprises and the people to increase their savings and their investments. We must satisfactorily resolve the relationship between savings and spending along the direction of practicing thrift for the sake of industrialization and modernization. We must

not allow our spending to exceed the level allowed by our economy. We must increase production and production efficiency in order to improve our living conditions while promoting ever-greater savings for development investments. We must fight against losses, waste, and corruption. We must mobilize to the fullest all domestic resources and vigorously attract foreign capital for investment in social development, trying to increase capital investments to 30 percent of GDP by the year 2000.

We must exploit the strengths of the entire country, of every area, and of every sector in order to create harmonious growth between various territorial areas. We must properly concentrate our resources on developing key domains and areas that have conditions for achieving fast, extensive results. Meanwhile, we must put aside some capital to resolve the pressing requirements of other areas, especially the requirements for the development of the infrastructure and for credit assistance. We must create conditions for weak areas — rural or mountain areas — to grow and develop more rapidly and must gradually eradicate the exceedingly large gap in socioeconomic development between various areas.

By the year 2000, the value of industrial production and construction will have to account for 34-35 percent of GDP; that of agro-forestry-fishery products for 19-20 percent; and that of services for 45-46 percent.

We must promptly increase the financial capacity and potential of the country and must ameliorate the national financial system. We must mobilize 21-22 percent of GDP for the budget, relying on the source of tax and fees collected. We must contain inflation at a rate not higher than 4.5 percent of GDP; and must carry out our debt-servicing pledges. We must continue to achieve the target for containing and controlling inflation, trying to eliminate all the dangers of a renewed high inflation rate. We must keep the growth of the consumer price index below 10 percent per year and must improve the balance of international payments.

We must develop our monetary and capital markets and gradually build up a stock market. We must increase the exchangeability of the Vietnamese currency, restrict the use of foreign currencies in the country, and stabilize the exchange rate in such a way as to suit the practical purchasing power of our currency.

We must broaden and improve the efficiency of foreign economic relations. We must expand our export-import market, increase our export potential for fully processed goods, and increase the competitiveness of goods and services. Export value must achieve an average annual increase of some 28 percent (excluding the portion of on-spot exports). We must increase our average annual export value to over \$2000 by the year 2000. We

must vigorously develop tourism and foreign currency-earning services. The import value must achieve an average annual increase of some 24 percent.

We must increase our capacity to welcome foreign investment capital and technology.

We must satisfactorily resolve a number of social problems.

It is necessary to eradicate illiteracy and basically complete the popularization of mandatory junior-high education (Grade 9) in big cities and in localities, where conditions permit. Trained workers must account for 22-25 percent of the total work force. We must effect vigorous changes for the better in our education and training quality. We must develop and improve the capacity and results of our study and must deploy our scientific and technological activities. We must develop and improve the quality of our cultural, information, public health, physical education, and sport activities and must expand these activities to inaccessible and remote areas.

The population growth rate should be brought to under 1.8 percent by the year 2000. Starvation should end. By the year 2000, the proportion of people with very low income should be cut by half compared with the present, and the rate of children under five suffering malnutrition should be brought to under 30 percent. People in municipalities and 80 percent of people in rural areas should be supplied with clean water. The average longevity should rise to about 70 years of age.

Employment opportunities should be provided to 6.5-7 million people, the unemployment rate in urban areas should be brought down to under 5 percent, and the percentage of labor usage in rural areas should be over 75 percent. Wages should be adjusted, together with all illogical stipulations in salary policies. Gradual establishment of an unemployment support fund will be strived for. Fair living standards for retirees and people with special contributions to the country should be guaranteed.

Programs that encourage settled farming and permanent residence, and that assist settlement of minority ethnic people should be basically completed. Efforts should be made to prevent and reduce environmental pollution in cities and industrial zones.

Corruption, social vices, and harmful cultural products should be repressed.

We should firmly protect the independence, sovereignty, territorial integrity, and security of our fatherland, while maintaining political stability and social safety, ensuring

a strong national defense and security system which is ready to deal with all situations.

We should actively prepare all fixed premises for the stage of higher development after year 2000, including the development of human resources, improving our competence in science and technology, construction of infrastructure for some essential industries, and the establishment of a uniform market-oriented mechanism with the regulation of the state under the path of socialism.

## II. Programs and Domains of Development

### 1. Development program for agriculture and rural economy.

#### Goals:

Agricultural development should be comprehensive and move toward guaranteeing national food reserves in all situations, increasing the production of food staples and vegetables, improving food quality, and reducing malnutrition.

Changes for the better in agriculture and the rural economic mechanism should be made toward expanding the hectares under cultivation for industrial plants and fruit orchards, increasing the quantity of livestock, developing economic potentials of the sea, islands, and forest, exploiting with high effectiveness the potential of ecological agriculture, increasing the production of commodities in parallel with development of food processing industry and exports, and widening the rural market and raising farmers' earnings. The construction and upgrading of socioeconomic infrastructure in the rural area should be boosted.

#### Duties and measures:

We should strive to increase rapidly production of food grains and related commodities on the plains which have advantages in productivity and efficiency as compared to other areas. Planting seasons should be shifted so as to avoid natural disasters, with preference given to seasons or plant species that give higher yields. The use of new plant species with high productivity, good quality, and better suitability to particular ecological areas should be encouraged, especially species of hybrid rice and maize. We should also make plans to encourage some selected areas to grow high quality rice strains. By the year 2000, our annual food grain production should reach about 30 million tonnes, or 360-370 kilograms per head.

We should also develop the cultivation of industrial plants, fruit orchards, and legumes of high economic value. Specialized cultivation areas should be established in parallel with the development of local processing industry. Cultivation of industrial plants should be

combined with reforestation to reclaim empty land and bare hills, combining agriculture and forestry. Proper attention should be given to efforts to rotate cultivation to heighten productivity, with preference given to modern biological technologies and not to chemicals. Production of clean agricultural products should be practiced. By the year 2000, the proportion of industrial plants should take about 45 percent of our total vegetation.

Areas for specialized livestock husbandry should also set up in combination with development of processing industry. Encouragement should be given to households or livestock farms that do well in animal husbandry. Livestock breeds that provide good quality and productivity should be multiplied. Programs to improve the quality of hogs and cattle, and to develop dairy cows as well as to eliminate some tropical diseases in livestock should be carried out. Husbandry of special animals will also be encouraged. The networks of production of animal feed, veterinary service, livestock insurance, and other services should be widened. We should strive to raise the proportion of animal husbandry in agriculture to about 30-35 percent by the year 2000.

The husbandry of fresh-water and marine products should be developed in all areas of fresh and saline water. Forests in saline areas should be protected. Low-lying and regularly flooded paddy fields should be encouraged to change to growing aquatic products. All services of breed improvement, animal feed provision, and prevention of diseases should be carried out well to bring the profession of animal husbandry to the status of an industry. By the year 2000, the total area of production of fresh water products should reach 60,000 hectares, in which the shrimp growing area takes 50 percent.

Efforts should be made to manage fishing in each fishery area to preserve and ensure development of various fish species; encourage fishermen to buy their own equipment and to satisfactorily organize the exploitation of sea and maritime resources; and vigorously develop offshore fishing through the granting of loans to fishermen and developing state-run fishing establishments. It is essential to oppose environmental pollution at the sea, river, canal, lake, and pond areas; strictly prohibit the exploitation of sea and maritime resources by means of extermination; and continue to conduct surveys of sea resources and creatures to formulate plans for their exploitation and preservation.

It is expected that maritime production output by the year 2000 should reach 1.6-1.7 million tonnes, of which planting and raising sea products should be 500,000-550,000 tonnes; the export value of maritime products should reach \$1-1.1 billion.



We must strive to develop forestry in close association with stabilizing and improving the people's livelihood in the mountain regions; increase greenery in areas of fallow land and bare hills; zone off, replant, and preserve forests; create conditions for the mountain regions to develop their strong potential in forestry; and strive to complete the allocation of forests and land to peasant households. We must strengthen efforts in forestry to preserve forests, protect the ecosystem and plant species, oppose forest destruction, and stop indiscriminate hunting. Efforts must be made to closely manage the exploitation of timber; continue to prohibit the export of timber as raw material; and formulate plans to effectively develop the timber processing industry.

Efforts should be made in the 1996-2000 five-year period to protect the existing 9.3 million hectares of forests and to create 2.5 million additional hectares of forests, of which one million hectares will be newly planted forest trees. We must increase the area covered by forests and other long-term plants by 40 percent and create permanent jobs for one million households comprising two million workers and 6-7 million people.

We must develop diversified processing industries, small industry, and handicraft in the countryside, towns, and cities; enter joint ventures with industrial establishments in major cities and industrial complexes; develop various production branches especially those producing goods for export; expand various forms of services; build more roads, electric and water supply network; install more telephone lines, and build more schools, public health stations, and cultural houses in the countryside.

It is essential to quickly develop the irrigation system in all areas; pay special attention to restoring, repairing, upgrading, and expanding the existing irrigation system at the two major delta areas of our country; implement a program to improve the quality of alkaline and acid soils and to comprehensively control flash floods in the Mekong River Delta. We must build water reservoirs in a number of midlands and mountainous regions to ensure sufficient water for agricultural production while improving the water supply for the people. It is expected that in the next five years irrigation will be provided for 200,000 additional hectares of cultivated land and a drainage system for 250,000 hectares. In the south, water resources will be reserved for 500,000 hectares and measures will be taken to prevent 100,000 hectares from becoming alkaline.

Efforts must be made to promptly ensure sufficient fertilizer with stabilized prices for various crops; expand the application of various biological measures for vegetation protection; develop the agricultural-forestry-

fishery encouragement network, promote the transfer of technologies and supply of material and technical means; organize processing and selling of agricultural products; implement the insurance policy and ensure prices for farm products especially rice and industrial crops for export. We must rearrange the distribution of state capital and mobilize more money to markedly increase the investment capital and credits for the agro-forestry- fishery sector and the rural economy.

## 2. Industrial Development Program

### Objectives:

We must renovate most of the state-run industrial establishments; quickly develop a number of sectors with advantageous position; and establish a number of key industrial branches in the areas of food processing, oil and gas exploitation and processing; electronic, computer, and communications industries; engineering manufacture; and production of materials.

It is essential to build industrial complexes (comprising export processing zones and high-quality industrial products factories) and create favorable areas for the construction of new industrial establishments; vigorously develop economies in the countryside and suburban areas; upgrade and develop the existing industrial establishments in cities and towns; move those establishments that are unable to solve their pollution problems out of the city; and limit the construction of new industrial establishments in the populated zones.

### Tasks and solutions:

We must develop the food and consumer products processing industry to meet domestic demand and must also attach importance to exports and give priority to products that are highly competitive and bring about good economic results.

It is necessary to harmoniously combine different technological advances and encourage all economic sectors at home and abroad to participate in the processing of a major part of the agricultural, forest, and aquatic products supplied by the various regions. We must make in-depth investment to help existing facilities increase their capacity and improve their technology. At the same time, we must build a number of new facilities and equip them with modern technology.

Steps must be taken to upgrade existing rice husking facilities and build more rice husking and rice polishing plants to bring their capacity to about 15 million tonnes of paddy by the year 2000. Efforts must be made to reinforce or build more paddy drying grounds, granaries, and grain reserve facilities. Steps must be taken to

reduce post-harvest losses and build more subsidiary crops, animal feed, and amidon processing plants.

We must make in-depth investment to expand existing sugar cane processing plants and build a number of small- and medium-size sugar mills in regions with a small hectareage under sugar cane cultivation. With regard to regions with large sugar cane supplies, we must build mills and equip them with advanced and modern technology through different channels, including joint ventures with foreign countries. We must strive for about one million tonnes of sugar by the year 2000.

It is necessary to modernize the equipment and technology of existing tea processing plants to secure the conditions for our products to reach out to the world market. Joint ventures with foreign countries are needed to build a number of modern tea processing facilities. Measures must be taken to encourage preliminary tea products processing by households or groups of households, and through joint ventures with refined tea products processing plants.

Loans must be granted to the people to accelerate coffee planting and steps must be taken to increase the coffee processing capacity and improve product quality and diversification.

With regard to the implementation of our rubber development project, it is necessary to make investment to increase our annual latex processing capacity to 70,000 tonnes from the current level of 20,000 tonnes. Plans must be worked out to develop the rubber products processing industry.

It is necessary to promote the processing of meat, dairy products, aquatic and sea products, and fruit and vegetables on different scales. Steps must be taken to improve the conditions of existing facilities and build new ones with modern equipment to meet consumer needs, especially export demand.

Vigorous efforts must be made to boost light industry, especially textile, garment-making, shoe leather, paper, and handicraft or art products. We must invest money to acquire new technology and improve product quality and competitiveness. Gradual steps must be taken to shift the production of sub-contracted textile products, garments, and leather products to the purchase of raw materials and equipment to manufacture export products. Due efforts must be made to improve marketing skills in order to make our products more attractive to the market. Measures must be taken to overcome the backwardness of the cotton thread and textile industry. Along with making efforts to develop the cotton thread and silk industry, we must strive for 800 million meters of fabric by the year 2000. In- depth investment must

be made to upgrade existing paper mills and build new ones while at the same time increasing the hectareage under the planting of trees for the production of paper to reach the target of 300,000 tonnes of paper by the year 2000. It is important to produce enough metallic wares, plastic products, detergents, and cosmetics to meet domestic and export demands.

Continued efforts must be made to accelerate oil and gas exploration and exploitation and achieve the target of about 16 million tonnes of crude oil and 3.7-4 billion cubic meters of gas by the year 2000. It is necessary to broaden the various forms of joint ventures and enhance the capability of the national oil and gas industry when it comes to exploration, exploitation, processing, and support services. It is important to formulate a master plan for the utilization of natural gas and associated gas. It is necessary to complete the construction of two gas pipelines to start the use of 4.5-5 billion cubic meters of gas per year and to begin the construction of oil refinery plant no. 1 (6.5 million tonnes per year). Meanwhile, preparations must be made for the construction of oil refinery plant no. 2 (or for the expansion of oil refinery plant no. 1) and for the building of a petrochemical plant.

Measures must be taken to quickly increase all electricity- generating sources and complete the construction of a number of major power plants in order to increase the capacity projected for the next five years to about 2,500-3,000 megawatts and meet an overlapping target of about 1,000-1,500 megawatts for the period after the year 2000. The need for electricity in the year 2000 will stand at about 30 billion kilowatt hours. It is necessary to build or improve the conditions of our network of transformer stations and power lines to make them fit into the national grid. Positive and effective policies and measures must be applied to guarantee reasonable and economical use of electricity.

Efforts should be made to develop the coal production industry by improving productivity, with measures such as the restoration and expansion of some coal mines and maintenance of the current output of others. Coal production should reach the level of about 10 million tonnes of clean coal by the year 2000.

Production of phosphate fertilizer should also rise to 1.2 million tonnes by the year 2000. The Ha Bac Nitrogenous Fertilizer Plant should be expanded in order to be able to produce 35,000- 40,000 tonnes per year. The Nitrogenous Plant No. 1, which will use natural gas, will be built and have an annual capacity of 60,000 tonnes. Nitrogenous Plant No. 2, with a similar capacity, will follow in the next five-year plan.

Cement plants that are currently under construction will be put into operation, while more capital will be mobilized or borrowed to expand existing cement plants and to build new ones, including those with vertical tunnels. We will form more joint ventures with foreign partners to build new cement plants, to push cement production output to 18-20 million tonnes by the year 2000.

Investment will be used to improve existing steel production lines and to build new steel mills, with special attention to be paid to the foil creating process. Steel production output should reach 2 million tonnes by the year 2000. Preparations should be made for the construction of the Thach Khe iron ore mine and a large-scale steel production plant.

The equipment and technologies of existing machinery plants should be renovated. Domestic products should be combined with imports in an effort to provide machinery and equipment for production establishments. For the immediate future, we should concentrate on the production of equipment for the agricultural products processing industry, production of transportation means, equipment for cement plants with vertical tunnels, equipment for the production of bricks and tiles, replacement parts, and so forth. We will also strive to achieve the strong development of the industries of ship building and repair, assembly and production of cars and motorcycles, and the production of medium- and low-voltage electrical equipment. We will start the production of high- pressured equipment, high capacity engines, and engines for ocean- going ships. The demands for hand tools should be met. The services of product repair, restoration, and after-sale services should be improved.

We should strive to build up and accelerate the development of the electronic industry and information technologies, directing them to the purposes of the production of machinery and the automation of production lines for export products. The proportions of domestic production of details and spare parts should be raised gradually. Information services will be developed, especially the software used in scientific research, production, management, and daily life.

Economic and national defense tasks should be combined in the planning and development processes of economic regions or industries, in the direction of linkage between economic effectiveness with the demand to protect national defense and security. This conception must serve as the basis for all concrete policies.

The national defense industry should be built up and developed to the level where it can be self-supplied with important equipment, respond satisfactorily at least to

ensure meeting the demands of combat competence of the armed forces, and gradually strengthen the national defense capacity for the cause of protection of the fatherland.

The ability of all sectors and economic establishments to respond to material and technical demands in national defense and security areas should be strengthened to ensure the ability of an immediate mobilization of all economic potential for defense and security demands should the situation require it.

The potential of the national defense industry establishments should be exploited effectively. The management structure and policy for national defense enterprises and for other army and security units conducting economic activities should follow the law and be suitable to their national defense and security characteristics.

### 3. Infrastructure development program.

#### Objectives:

Infrastructure development will create the necessary conditions for socioeconomic development in the period 1996-2000 and will create the conditions for development steps after 2000.

Smooth traffic in all weather conditions should be guaranteed for core traffic routes, including the axis route and its tributaries to all regions, including in the mountain areas. In each region, the demands for electricity, water, transportation, and information should be met at a level that ensures the successful development of that region. The infrastructure system in mountain and rural areas, especially roads, communication, electricity, clean water, schools, and medical centers, should be developed. Efforts should be made to provide water to provinces in the central region and roads for the mountain areas and the Mekong River delta.

#### Duties and measures:

We should make every effort to rectify the declining infrastructure facilities and to upgrade major communication routes. New investment will be used to build modern projects such as international airports and sea ports and the important corridors connecting these ports with the inland in core economic regions and along the main North-South route.

We must concentrate on restoring and upgrading various portions of vital roads, especially national highways and on building a number of major bridges. It is necessary to expand and improve vital communication axes and those major streets and beltways in Hanoi and Ho Chi Minh city. We must upgrade various roads in the border and mountain provinces, as well as those roads that lead to the heartland of inaccessible and remote districts.



We must upgrade and consolidate our existing railway system and ensure safe and smooth train traffic. Major railroad stations must be equipped with semi-automatic signal communications and automatic telephone systems in order to ensure safe and smooth train travel. It is necessary to prepare to build the Hanoi-Ha Long and Ho Chi Minh-Vung Tau rail lines and to improve the north-south rail line at the Hai Van pass.

We must expand and upgrade our three international airports in accordance with modern standards so they can each handle 12-13 million passengers per year. It is necessary to upgrade various satellite airports in such areas as Cat Bi, Phu Bai, Nhatrang, Cam Ly, Ca Mau, Can Tho, and others. We must open more new flight routes and must increase the number of aircraft in order to meet requirements for international and domestic air travels.

We must consolidate and improve the capacity of existing seaports and must prepare and gradually build the Cai Lan, Chan May, Lien Chieu, Dung Quat, Ben Dinh-Sao Mai, and Vung Tau seaports. We must build the Can Tho port into a central seaport of the Mekong River Delta, trying to increase its cargo handling capacity to 500,000 tonnes by the year 2000. We must dredge and improve riverways, upgrade major riverports, and ensure that lighters of up to 1000 tonnes can travel along various riverways in the Bac Bo Delta and that vessels of up to 2,000 tonnes can travel deep into the Nam Bo Delta.

We must develop our post and telecommunications network, trying to ensure modern, harmonious, uniform, and even development for the network and turn it into one with a multitude of services in order to meet requirements for socioeconomic, security, and national defense development and to ensure high quality and low production costs. It is necessary to develop the post and telecommunications industry. We must strive to achieve the target of six telephones for every 100 people and ensure the installment of telephones for almost all the villages in the rural, inaccessible, and remote areas by the year 2000.

We must develop and upgrade our electricity network, ensuring sufficient and steady electricity supplies to various cities and industrial complexes. By the year 2000, 100 percent of districts and 80 percent of villages must be provided with electricity from the national power grid and from local electricity generating sources.

We must formulate plans for the protection and rational harnessing of water resources in order to meet requirements arising from production and life. It is necessary to gradually improve the water supply and drainage system at various cities with priority given to those localities

having no water supply and drainage systems. We must tackle the basic water supply system for Hanoi, Ho Chi Minh city, Haiphong, Danang, Can Tho, and Ha Long and a number of townships, the area along Route 51, and various processing and industrial zones. We must continue to carry out the program to supply clean water to the countryside, especially to the Mekong River Delta and the mountain region.

4. The program for scientific and technological development and for environmental protection.

#### Goals:

It is necessary to carry out scientific and technological development and to improve our inherent potential, regarding this as an important factor for spurring the cause of industrialization and modernization. We must build scientific theory for national development orientations as well as for various policies and lines of the party and the state. We must acquire the world's scientific and technological findings and must select and master those technologies transferable to Vietnam. We must initially develop some high-tech areas, such as computer electronics, biological technology, new materials, and automation.

We must press for a 10-percent increase in technological innovations per year among various production sectors. Specific attention must be given to technological quality. We must concentrate on applying advanced technologies and must strive to help our country gradually reach the region's average technological standard.

It is necessary to effect visible changes for the better in environmental protection.

#### Tasks and approaches:

We must renovate and improve the technological standards for the major production and tourism sectors, with emphasis placed on introducing modern technology in those key production areas with great impact on other sectors, in export-oriented production areas, and in new investment areas. It is necessary to provide satisfactory supervision for technological imports. We must continue to perfect and renovate technologies for a number of traditional branches and trades. It is necessary to renovate our technical means used in inspection and measurement and to direct and apply automation technology in order to improve product quality for various production sectors.

We need to develop high technologies and strive to build the structure of the information industry by the year 2000. We need to apply the advances of the information industry to all domains of the national economy and make marked improvements in productivity.

quality, and efficiency. Steps must be taken to establish a national information system and link it with a number of international information networks. Efforts must be made to develop biotechnology in order to create and increase the number of new breeds. Plans must be worked out to process agricultural, forestry, and marine products. It is important to turn out different types of vaccines, anti-serums, and products for quick and accurate diagnosis and work out ways to deal with pollution of the environment. We need to develop materials technology and conduct experiments on the production of a number of new materials that yield high economic results. We also need to produce different kinds of materials that are durable and can withstand the harsh tropical climate. It is necessary to carry out a uniform technological automation program in a number of key plants and apply technological automation advances to all production lines that play a decisive role in meeting product quality requirements.

It is necessary to set up two high-tech zones in Hanoi and Ho Chi Minh City — the points of convergence for scientific organizations and of domestic and foreign business institutions — so as to create high technologies and develop high-tech industries.

It is necessary to promote social sciences and the humanities, firmly grasp the fundamental principles of Marxism-Leninism and Ho Chi Minh ideology, study the theoretical issues relating to renovation and development in the new stage, and shed light on the nature of the commodity-based multisectoral economy and on its development according to the market economy and in keeping with socialist orientations. It is important to clarify the issue relating to a law-governed state under the conditions of a ruling party and uphold the party's leadership role in the new stage. Steps must be taken to implement industrialization and modernization. It is important to formulate a social policy for the stage of industrialization and modernization, set the goals of a comprehensive human resources development strategy for Vietnam, work out measures to resolve social problems, build a modern culture that is also imbued with national identity, and devise a national security and defense strategy...

We need to promote natural sciences and do research on a number of promising fundamental issues relating to contemporary and future sciences in order to have access to world knowledge in mathematics, cybernetics and computer science, physics, mechanics, chemistry, biology, and other sciences about the globe.

We need to apply scientific and technological advances and renovate our management mechanisms and policies in order to improve product quality and competitiveness

both in the home and world markets. We must see to it that our export products meet international standards and we must focus on a number of key products like rice, coffee, rubber, marine products, garments, oil and gas, machine assembly.... It is necessary to formulate regulations governing product quality control and registration.

Strong measures must be taken to guarantee industrial property protection, ensure healthy competition under the market mechanism, and stimulate the creativity of scientists and the laboring people.

It is necessary to compile the Law on Science and Technology and promulgate it at an early date. We need to create an environment for scientific and technological activities. It is necessary for business establishments to attach due importance to scientific and technological development and rely on science and technology to effectively boost production.

It is the state's policy to encourage the application of technological advances through tax, credit, and import-export incentives. The state stands ready to help economic sectors with their scientific research projects and technological innovation programs. Continued efforts must be made to reorganize scientific and technological agencies by paying more attention to scientific and technological projects of strategic importance, by linking scientific research with education and training, and by shifting the management of a number of special research institutes to general corporations. It is important to link scientific and technological development projects with socioeconomic development plans and regional planning programs.

We must draw many sources of capital in order to quickly boost investment in science and technology. In addition to state budget allocations, efforts must be made to formulate different mechanisms and policies to mobilize more capital from business organizations, economic sectors, international aid programs, socioeconomic development projects, and capital construction plans and invest it in science and technology.

Efforts should be made to rationally use the natural resources and protect the ecosystem; urgently conduct investigation on environmental pollution; investigate and appraise the irrational exploitation of natural resources detrimental to the environment; and formulate measures to effectively overcome these issues. We must implement projects on improving and protecting the environment, build national parks, declare areas of forest for preservation, plant trees in cities and industrial zones, and apply modern technologies to eliminate poisonous substances and waste. We must examine and review

various socioeconomic development plans, foreign investment projects, and infrastructure programs to determine their adverse effect on the environment so as to formulate preventive measures. We must definitely eradicate the degenerate effects of production establishments on the environment and eliminate the root cause of all factors causing environmental pollution, especially to water and the air, in the process of industrialization and modernization. We should increase the acreage of greenery to a level that can ensure safety for the ecosystem and the development of biological diversification in the heartlands and the sea. We must improve the labor environment for and daily activities of people in various industrial zones and cities; ensure hygienic environment in the countryside; enhance environmental management in all domains; and strengthen measures to ensure the enforcement of the Law on the Protection of the Environment.

### 5. Program to Develop Service Economy

#### Objectives:

We must vigorously develop various forms of services and create new forms to meet diversified requirements in production, business, and the people's daily life.

It is essential to create a healthy competitive environment for the service economy while stabilizing prices, especially those of essential goods and services.

#### Tasks and Measures:

We must develop trade; ensure a thorough and smooth circulation of goods throughout the country especially in the countryside and remote and mountainous areas; and pay special attention to marketing at home and abroad. We must consolidate and develop the state trade in essential goods and materials for production and the daily life, especially in the unexploited areas; promote wholesale and control retail trades; step by step organize marketing cooperatives and set up the agent network to help the state trade prevent the abnormal fluctuation and stabilize the market and prices.

Efforts must be made to strengthen the market management, guide various economic components of the state trade to develop in the right direction and in accordance with state policy and law; promote a healthy competitive environment; oppose tax fraud and evasion; and stop the circulation of fake goods.

We must enhance the state's macro-regulating role; promptly deal with all adverse changes in the market; and perfect the national stockpile and goods reserved system for smooth circulation.

The value of goods on circulation in the year 2000 should be 2.5 times more than that of 1995, or an

average increase of 20 percent annually (calculating from the flat price rate in 1995).

It is essential to increase the range, improve the quality, and enhance the safety of the transportation of goods and passengers in all forms of transportation; it is also essential to enhance the capacity for handling air and sea transportation in accordance with the commercial law and international practice.

Efforts must be made to formulate a general plan to develop Vietnamese tourism to meet the great potential of the nation along the line of promoting culture and improving the environment. Accordingly, efforts must be made to arrange attractive tour programs and introduce interesting tour sites, especially at cultural, historical, and scenic places; to mobilize the people to participate in the tour business; to give priority to building up the infrastructure at integrated and major tourist centers; and to enhance services that provide a cultural background and improve the quality of tours for tourists from different countries.

We must accelerate the mobilization of domestic capital for investment in the hotel business while introducing the share-holding system at a number of the existing hotels to mobilize capital for repairs and upgrading.

We should engage in joint ventures with foreign countries to build tourist centers and high-quality big hotels requiring massive amounts of capital and should strive to shift guest houses from the old subsidy system to the hotel and tourist business system.

Efforts should be made to vigorously develop services that provide information and consultation in industries, law, finance, auditing, banking, and insurance.... Efforts should also be made to expand diversified forms of services to meet the requirements of the daily life and improve the livelihood of various strata of the people.

### 6. External economic relations development program.

#### Objectives:

On the average, the total export index should increase by about 28 percent annually (this does not include the volume of products sold directly to exporters). We need to quickly increase the volume of products that are finely processed for export and to minimize the exports of raw materials and preliminary processed products.

We must focus on the import of raw materials, materials, and technological equipment of all kinds to meet the requirements of industrialization and modernization. We must gradually phase out the import of quality products that can be made locally. The total import index should, on the average, increase by 24 percent annually.



We should attract and make good use of about \$7 billion from official development aid (ODA) and of \$13-15 billion (based on the 1995 price index) from foreign direct investment (FDI).

It is important to improve the international payments balance.

#### Tasks and solutions:

Steps must be taken to broaden the export market, re-vamp the export structure, and improve product quality. It is necessary to increase the volume of finely processed export products and take drastic measures to minimize the exports of low quality products. It is anticipated that by the year 2000, the volume of processed export products will account for 80 percent of the total export index, of which finely processed export products will account for 50 percent. We need to improve export products both quantitatively and qualitatively and also need to increase the volume of special products with high economic results. The volume of heavy industrial products and minerals must, on the average, increase by 33 percent annually; the volume of light industrial products by 38 percent; and the volume of agricultural, forest, and marine products by 16 percent.

The import structure: It is anticipated that the volume of modern equipment and accessories will account for 39 percent and on the average will increase by 25 percent annually; the volume of raw materials, materials, and fuel will account for 52 percent and will increase by 25 percent; and the volume of consumer products will account for about 9 percent and will increase by 14 percent.

We need to consolidate our foothold in familiar markets and restore our relations with traditional markets while at the same time looking for new markets and partnerships and not concentrating only on a limited number of markets. We must create a number of long-term markets and partnerships for our key import-export products and must minimize our import-export activities through third parties. It is necessary to adopt a uniform export incentive policy, including price insurance coverage for export products and the implementation of rational adjustments to foreign currency exchange rates to the advantage of export activities.

We must, following our admission to ASEAN and our preparations to participate in the ASEAN Free Trade Area AFTA, get ourselves ready to join the Asia-Pacific Economic Forum (APEC) and the World Trade Organization (WTO). We must also gradually prepare to take part in the activities of the Generalized System of Trade Preferences (GSTP), the application of international trade standards, and the selective participation in

a number of international export associations suitable for each category of export products.

We need to concentrate efforts on drawing all sources of bilateral or multilateral official development aid (ODA) and on using them mainly to build our socioeconomic structure and improve our scientific-technological knowledge and management skills. At the same time, we need to reserve part of the credit capital for agriculture, forestry, fisheries, and consumer goods production. We must provide nonrefundable aid to underdeveloped regions on a priority basis. Loan-funded projects must be backed by well-established debt payment plans under which debtors clearly understand their liabilities and obligations not to further aggravate the debt insolvency situation. It is necessary to make effective use of ODA and adopt stringent management measures to protect it against wasteful spending or negativism.

Foreign direct investment (FDI) must be focused on areas of operations, products, and services that involve modern technologies and yield high export returns. With regard to sectors that do not require substantial capital or high technologies but yield high returns quickly, we must work out different ways to mobilize domestic capital to make comprehensive investment in projects or to hold a high percentage of shares in case we need to enter joint ventures. With regard to areas of investment, we must adopt effective policies and measures to draw investment to localities that have high potential but still face many difficulties. We must continue with our investment diversification strategy by devising new forms of investment like financial investment (capital contribution and share-buying by outsiders without participation in the board of management as is the case with joint venture enterprises). With regard to investment partnership, it is necessary to strengthen our cooperative ties with multinational companies in order to acquire original technological knowhow, have access to modern management methods, make quick inroads into the world market, and reach out to new markets.

Along with making efforts to draw more foreign capital, we must pay greater attention to the implementation of direct foreign-invested projects that have already been licensed and must overcome obstacles in order to make a quick use of all ODA packages committed by aid donors.

#### 7. Education and training development program.

##### Objectives:

It is necessary to improve the people's intellectual level, so that everyone has the necessary knowledge when they join the socioeconomy and the ability to keep in pace with national renovation and development.

We must conduct training and retraining to improve the quality of manpower to meet the requirements of industrialization and modernization. Efforts must be made to increase the number of working-age people graduating from junior high school (grade 9) to 55-60 percent and that of trained workers to 22-25 percent by the year 2000 if we are to provide a high-quality workforce for sectors utilizing modern technologies. We must build a strong contingent of scientific and technical cadres who are capable of tackling scientific and technological development issues.

#### Duties and approaches:

We must develop children's education, increase enrollment in kindergartens or day-care centers, and improve the quality of baby sitters. Most children of school-going age must be sent to kindergartens as a preparation for elementary school.

We must eradicate illiteracy in the 15-35 age group and reduce the number of illiterate people in other age groups. It is necessary to eradicate illiteracy in the inaccessible, remote, and mountainous areas and in areas that still face hardship.

We must popularize mandatory elementary education nationwide and complete the popularization of junior-high school education in large cities or in localities where conditions permit. We must come up with a policy to create conditions that will allow children of ethnic minorities, the needy, and the handicapped to go to school.

It is necessary to build boarding and semi-boarding schools and to consolidate and revamp professional schools and selective classes. We must allow more general education private and semi-public schools at various levels to open. We must apply a comprehensive education program (covering such special subjects as music, painting, physical education, and sports) in elementary education.

We must expand and improve the teaching of computers and foreign languages right from the general education level. It is necessary to concentrate on improving the quality of academic and scholastic activities, and to equip students with the necessary knowledge and effort to teach themselves and to be creative. We must overcome the situation where students are required to study too many hours beyond the official curriculum.

From the efforts to improve the system of information on the labor market and various policies and stipulations of the state, we must then rationalize our training system to achieve a balance between training and employment for different levels of knowledge and at different branches and trades. Specific attention must be paid to

ensuring manpower for the various spearhead sectors and key socioeconomic projects. We must promptly increase the amount of vocational training for those who have below-college education.

We must perfect, vigorously develop, and ensure the quality of various vocational training for establishments, including popular and private establishments and enterprises in conjunction with efforts to strengthen state management.

We must rationally expand the scope of training and improve the training quality of various universities. It is necessary to combine refresher courses with remedial training and to develop education and training to select and build a contingent of talented scientific and technological experts, cultural workers, and businessmen and a contingent of competent civil servants and socioeconomic management cadres.

We must carry out the plan to restructure various universities, colleges, and research institutes, and build multi-faculty universities at the various economic and cultural centers of the country. Local universities and colleges must be developed to meet demands for learning and for increasing local human resources. It is necessary to secure financial sources for scholarships and to encourage self-financed studies abroad if we are to promptly increase the number of university students or those going overseas for post-graduate education.

We must perfect and consolidate teachers' colleges in all respects, promptly overcome the shortage of teachers, and improve their quality at all levels of education. We must revise our special benefits policy for teachers and come up with a policy to encourage them to volunteer to work in hardship areas. We must employ teachers in accordance with their capacity and must reward them based on their performance in the spirit of offering special treatment to people pursuing the teaching career. Attention must be given to teachers who work in mountainous and inaccessible, and hardship areas.

We must intensify pedagogical research and continue to renovate the academic and scholastic system. We must combine education in schools with education in families and society and must create a healthy environment for education.

We must substantiate and institutionalize the party and state policy to popularize education and training, especially on ensuring development investment and operating funds. Apart from securing appropriate funds from the budget for the development of education and training, it is necessary to attract more sources of investment from various communities, economic components, and various business circles inside and

outside the country, along with the efforts to use these investment sources effectively. Enterprises that employ trained workers are dutybound to contribute to the education and training budget. We must renovate the tuition fee system to suit the different income brackets and must eliminate irrational demands for financial contributions so as to ensure better handling of the education fund, while improving the academic conditions for needy students.

We must study the organization of and coordinate supervision in improving the education-training development program to serve the national modernization undertaking; build and perfect the state legal system on education; and quickly formulate and promulgate the law on education. It is essential to clearly determine the responsibility, expand the authority, and enhance the management capability of various training institutions, especially universities. We must renovate and strengthen the educational management task, especially at the macro level, so as to control quality in training, regulate the increasingly enlarged educational mechanism, and ensure the training efficacy meeting the set objectives.

#### **8. Program for Resolving Various Cultural and Social Issues**

##### **Objectives:**

We must resolve the unemployment problem; comprehensively develop all activities related to culture, information, sports and physical education, public health, population and family planning, and other social domains in order to improve the quality of our people's material and spiritual life, thereby meeting the requirements in developing the human resources to integrate into the international community.

It is essential to harmoniously combine economic growth with the promotion of social justice and progress; effect vigorous changes to resolving various pressing social issues; and eliminate negativism, injustice, and social vices.

##### **Tasks and measures:**

We must quickly implement the national program to resolve the unemployment problem and to create conditions for each laborer to create or find his own job. We should strive to provide jobs for 1.3-1.4 million workers annually. While supervising the implementation of this program, we must create opportunities for the laborers to create their own jobs so as to attract more workers; reduce the proportion of unemployment in cities to lower than 5 percent; and increase the proportion of using labor in the countryside by 75 percent.

We must organize the implementation and control the enforcement of the Labor Law while strengthening protection for laborers, especially at state-run establishments. We must continue to improve the wage system to ensure that wages are paid in accordance to the productivity, quality, and efficacy of the workers; and that wages are the main income and the driving force of the laborers.

Efforts must be made to expand social insurances for the laborers of various economic components; apply the compulsory insurance system at various organizations and state-run enterprises; manage and satisfactorily use various insurance funds; ensure the daily life of retirees; and promote funds for the people's charitable activities.

We must develop and enhance the quality of the cultural and artistic activities, the mass media network, and other recreation facilities so as to meet requirements of the people's cultural and spiritual life. Special attention should be made to resolve difficulties in various mountainous, border, island, and rural areas.

It is essential to quickly increase the number of cultural, literary, and artistic publications, as well as the number of newspapers with high ideological and artistic merit. We must increase investment in reforming and building a new information system from the central to the local levels to ensure that it can function in a diversified fashion while combining cultural activities with those of tourism, sports, and recreation. Efforts should be made to step up the construction of cultural projects at the national level in Hanoi, Ho Chi Minh City, and other major centers.

We must step by step modernize the broadcasting, television, cinematography, printing, and publishing sectors; enhance the quality of radio and television programs; and increase the radio and television broadcasting capacity to foreign countries. We must strive to ensure that 80 percent of households throughout the country can receive programs from the central television station and 95 percent of them can listen to the Voice of Vietnam by the year 2000. We must continue to implement the three national programs on culture and information: To preserve and embellish historical relics and national cultural heritages; develop the Vietnamese cinematography; and build cultural life at the grassroots level with special attention given to building new culture in families and villages and civilized lifestyle in cities. Efforts should be made to expand relations in the cultural, artistic, sports and physical education activities with various nations, especially with those in the region; strengthen measures and coordinate with various forces in society to build a healthy cultural environment and to



vigorously and steadfastly fight and eliminate decadent culture and social vices.

It is essential to renovate the management mechanism in the direction of socializing cultural and information activities; continue to formulate and perfect various lines and policies to conform with characteristics of various sectors (such as those involved with price supports, placing orders, capital, taxes levied on cultural products, income taxes for the cultural profession, and the mobilization of capital at home and abroad...) so as to ensure that the cultural and information profession develops quickly in the renovation process and socialist orientations are maintained. We must strive to build the modern culture imbued with national color, while formulating policies on caring for the material and spiritual life of those who engage in the cultural and artistic activities.

Efforts should be made to enhance the fundamental targets for the good health of all people, while gradually strengthening the people's habits and stature, especially the physical fitness of mother and child.

We should strive to create quick progress on the population strategy in terms of scale, mechanism, and population reallocation, with the immediate objective being each husband-wife couple having no more than two children who will be well-raised and educated. The rate of women giving birth three times or more must be reduced. In addition to increases in budget and technical facilities, we need to strengthen educational and information measures, supplement policies on limiting births, and consolidate the network of population and family planning management agencies at all levels, especially at the grassroots levels of hamlet and city street. The population growth rate should be reduced to under 1.8 percent by the year 2000.

The national nutrition program should be implemented so as to reduce the current rate of malnutrition of 42 percent among children under five to under 30 percent, so that serious malnutrition is eliminated by the year 2000. The proportion of people with a nutrition standard of under 2,100 kilocalories per day should be reduced to under 10 percent. Pregnant women and women in confinement after giving birth should receive good care. The death rates of women giving birth should be reduced to 0.05 percent, of infants under one to under 3 percent, and of children under five to under 5.5 percent.

The death rate and infection rate among children caused by bacteria and parasite induced diseases such as malaria, tuberculosis, cholera, and lung infection should be reduced rapidly. The program to prevent and control goiter should be expanded in parallel with the campaign to urge the entire population to use iodized salt. Polio,

leprosy, and tetanus among infants should be eliminated. Epidemics should be quickly controlled, and rabies should be prevented. Drug addiction and prostitution should be repressed. HIV-AIDS should be prevented and infected people should receive treatment.

We will develop the state and private health sector services of medical examination, treatment, and primary care. We will set up pilot joint ventures between state establishments and foreign partners in medical and pharmaceutical services. Traditional medicine will be developed and combined with modern medicine. The management structure of the pharmaceutical sector will be revamped, technology will be renovated, the product variety will be expanded, and medicine quality will be improved in all medical establishments involved in the production and supply of medicine and medical equipment.

Budget allocations as well as investment from other sources will be increased for the construction and upgrading of medical facilities at the grassroots level. By the year 2000, all villages nationwide should have medical stations, 40 percent of them manned by doctors, and all of them should have obstetric or pediatric physicians or midwives, while all hamlets should have nurses. All districts should have medical centers, which are competent in fulfilling the duties of the primary medical support level. Medical centers at the provincial level should have all the basic equipment for all medical branches and be competent at fulfilling the duties of the second medical support level. The establishment of two advanced medical centers in Hanoi and Ho Chi Minh City will continue.

Policies toward medical staff and their salaries will be improved, especially for those working at the grassroots level and in mountain areas. Discrimination between medical services provided to insurance-covered and fee-paying patients should be eliminated. Assistance to cover hospital costs will be provided to poor people and people in remote and out-of-the-way regions.

City slums should be reduced, and most houses in rural regions should be solidly built and have hygienic toilets, especially in the Mekong River delta.

Renewed efforts will be made in the development of sports and physical activities aimed at having 8-10 percent of the population participating in sporting activities or physical exercise and 50 percent of schools at all levels having formal physical education programs, opening the way for a system to foster national sports talent and improving records in sports. Planning and construction of sport facilities in schools and localities will be implemented. National sports centers will also

be built. The training of sports personnel and scientific researchers will be improved.

We will push forward the movement to show gratitude and to provide better care to the survivors of war heroes and war invalids and people making meritorious contributions to the country, as well as to care for people with difficulties, disabled people, isolated elderly people, and children in difficult circumstances.

#### 9. Development plans for different regions.

##### Objectives:

Conditions should be created for all regions to develop the foundation of their own strength and potential, together with a logical national economic mechanism and cooperation between regions, thus activating dynamic development in the country as a whole.

The priority development in core regions should be combined with comprehensive development of other regions in order to reduce disparities between regions in development standards.

##### Duties and measures:

Mountain and other disadvantaged regions, which are located in important locations, include former revolutionary bases, remote and out-of-the-way regions, and minority ethnic people regions. These regions need to have the priority in investment to help them develop their own advantages and local resources before attracting more investment and specialists from other places. The state will reserve nonrefundable aid and capital borrowed with preferential conditions from foreign countries to invest in the construction of the socioeconomic infrastructure, public roads, the power network, education, training, and health care first of all. We will apply policies of preferential treatment in tax, credit loans, technology transfer, and land use. We will encourage the formation of economic focal points, which serve as momentum to boost the merchandise economy, changes for the better in renovation of the economic mechanism, diversification of merchandise, development of the processing industry, as well as trading activities and services. We will also strive to properly carry out the program to eliminate hunger and reduce poverty, to encourage settled farming and the permanent housing lifestyle, and to bring order to the relocation program. The execution of these programs requires great determination and strong measures in order to raise the mountain regions up, thus minimizing the disparity gap between developing regions.

The strategic tasks of the rural and lowland areas consist of firmly guaranteeing secured food supplies for the country, providing adequate and better-quality food

supplies to various cities and industrial complexes, and promptly increasing exports, including on-site exports. Attention must be given to ensuring even growth between lowland areas themselves and increased economic results. It is necessary to overcome the situation in which rice-growing areas become poorer and are more disadvantaged than other countryside areas due to the enforcement of various policies on loans, pricing, and taxes. We must promote increased animal husbandry, commodity production (including aquaculture) and must appropriately develop those industries that process agroforestry- marine products and that involve machinery manufacturing and mechanical repair. We must encourage the production of construction materials, develop traditional branches and trades along with new branches and trades, promote the growth of export manufacturing industries and those satellite establishments that provide subcontracting services to various industrial centers, and encourage the overall growth of service sectors. It is necessary to transfer part of the agricultural labor to the local nonagricultural workforce, and to reduce pressures concerning labor and population in large cities.

Sea and coastal areas must be regarded as strategic areas economically and in terms of national defense and security. These areas enjoy many advantages for development and serve as the country's giant gateway for increased international exchanges and for attraction of foreign investment capital. We must exploit to the fullest the potential and other advantages of our sea and coastal areas in combination with the maintenance of national defense and security. We must build the necessary strength and stature to vigorously accelerate socioeconomic activities and protect and maintain control over our fatherland's sea areas.

We must build an economic structure for these areas with an emphasis placed on exports. We must coordinate efforts to exploit the coastal economy, the exclusive economic zone, and those continental shelves that fall under the jurisdiction of our country in accordance with regulations of the International Law of the Sea. Attention must be given to the economies of offshore islands and of coastal staging bases [cean cuws xuat phats ven bienr]. We must plan marine economic development under a coordinated program with important economic sectors such as oil and gas, marine products, sea shipping, and those industries working on offshore mineral ore exploitation, shipbuilding and ship repair, drilling platforms, tourism, and marine services. We must build a number of spearhead sectors with advanced and modern technology, with great export values, and with the capacity to generate high and stable capital savings for the national economy.

We must uniformly develop and modernize the infrastructure of our coastal areas and offshore island districts in coordination with key economic zones. We must build maritime economic centers, large urban areas, industrial zones, processing zones, and tourist and commercial centers, along with a system of expanded and newly-built seaports, especially deep-sea ports. We must develop various coastal economic corridors, especially the Haiphong-Ha Long-Mong Cai, Hue-Quang Ngai, and Vung Tau-Ba Ria corridors.

We must plan and establish an economic development program for offshore islands with the emphasis placed on those islands that are important economically and in terms of national defense and security, such as Phu Quoc, Tho Chu, Con Son, Phu Quy, Ly Son, Cat Ba, Co To, Vinh Thuc, and Bach Long Vi. It is necessary to invest in building the infrastructure, including essential projects for piers, roads, electricity and water supply, and communications. We must come up with a special treatment policy to encourage the people to resettle on offshore islands for economic development. We must improve living conditions and ensure necessary conditions for troops stationed on offshore islands. The state must reserve more favorable capital loans for the people to develop sea fishing. We must increase essential marine scientific and technical surveys. Specific attention must be given to protecting coastal natural resources and environment. We must make appropriate investment in strengthening and consolidating national defense and security and must firmly protect national sovereignty and interests on our sea areas and offshore islands. We must amend and perfect our legislative system and those policies on the management and exploitation of sea and coastal areas and offshore islands.

We must develop those urban areas that have the advantages and the necessary conditions for quick development and our major cities into hubs for regional and international economic exchanges. We must build a system of cities characteristic of regional hubs or subregions in order to develop the effect of industries and services toward other areas. Through this, we will be able to exploit the potential of each region more considerably and effectively. Depending on the conditions of each locality, all cities and towns must be developed on the basis of accelerating the development of those industries and services characteristic of subregions. We must build various urban areas to serve as economic and cultural hubs for each village or each group of villages.

We must develop satellite cities around major municipalities in order to reduce the concentration of industries and population and to prevent excessive concentration in Hanoi and Ho Chi Minh city. It is necessary to create the necessary conditions to attract technolo-

gies and develop new cities toward hilly areas in the midland region, trying to avoid using large areas that can be planted with rice. We must limit the size of major cities. It is necessary to promptly plan a national system of large-, medium-, and small-size cities in conformity with the level of our socioeconomic development. Urban development must go along with efforts to uniformly build and manage public utility projects (electricity, water supply and drainage, tree planting).

We must attach importance to the close link between economic development and cultural development and between the maintenance of national identity and tradition and the advance toward achieving modernization in urban development.

The three key economic zones in the north, the center, and the south have the conditions to achieve a faster economic growth rate than any area in the country, to supply the whole country with necessary products and services, and to develop their role as industrial, services, commercial, financial, scientific and technological centers, and as gateways for international exchanges. In developing the three key economic zones, we must achieve close coordination and must serve and spur the development of other areas and the entire country as a whole. This is to create conditions for enterprises in key areas to expand their businesses and investment toward other areas.

10. Socioeconomic development program for mountainous and ethnic minority regions.

#### Objectives:

We must exploit all sources of energy in localities and integrate efforts by the people throughout the country in order to effect a quicker change in socioeconomic development; stabilize daily life; and improve the environment and human ecology.

Efforts must be made to increase the economic growth to the same, or higher, level of the national average. By the year 2000 the GDP per capita should be increased by twofold compared to that of 1994.

Various mountainous regions and areas that are inhabited by ethnic minorities should attain some progress; regions with more favorable conditions should record a quicker pace of development to accelerate and help other regions develop simultaneously.

We should strive to closely combine economic growth with social and cultural development; ensure national defense and security; and narrow the gap between regions in social progress.

#### Tasks:



#### Industry.

We should link the development of the processing industry with areas where materials are available; rearrange and make in-depth investment for the existing establishments.

It is essential to develop small industries and handicrafts in the remote areas, and to promote traditional handicrafts.

We must set up establishments to produce construction materials while accelerating the exploration and exploitation of mineral ores.

We should complete various current hydroelectric power projects in accordance to the schedule while making preparations for a number of new projects in Son La Province, the Gam River, and the Central Highlands

#### Agro-Forestry.

We must resolve the food issue in accordance with the commodity-based economic concept; expand crop cultivated acreage in areas with irrigation facility; and rationally change the crop pattern while promoting intensive cultivation by applying technological advances in seeds and fertilizer. We must ensure that grain production output in localities increases by 3.5-4 percent annually, and that by the year 2000, grain per capita should be 250-280 kg. We should expand contracts with various regions to ensure smooth supply of grain.

Efforts should be made to increase the greenery acreage to more than 40 percent by the year 2000; zone off the reserved forest areas in the riverhead and key zones with forest trees to be used as raw materials for paper industry and wood pillars.

We should increase long-term industrial crop acreage from 179,000 hectares in 1994 to twofold in the year 2000, of which rubber should account for 166,000 hectares, coffee 101,000 hectares, and tea 97,000 hectares. We should also vigorously develop animal husbandry, especially cattle.

We must combine forestry development with the settlement of nomads; stabilize production and the daily life of the newly settled households; continue making investment to complete various projects of program No. 327; and introduce about 80-100 additional programs annually in areas where shifting cultivation by wandering hill tribes still exist. We should basically complete the settlement of nomads program throughout the country by the year 2000.

#### Infrastructures and services:

In transportation, we must invest in upgrading various highways and routes along the border areas; and roads linking the districts and highlands villages. We should combine the task of relocating the population with that of building roads, so as to provide satisfactory transport service to the people. We should build roads to the centers of all villages and hamlets throughout the country by 2000.

Concerning energy, we should strive to provide electricity to all districts and to 60-70 percent of villages throughout the country by the year 2000.

Regarding water conservancy, we must step up the building of water reservoirs to ensure sufficient waters for grain production and integrated industrial crop areas; supply sufficient water and electricity to industrial establishments and cities; continue the program to provide clean drinking water in the countryside; and ensure that 80 percent of the population will have clean water by the year 2000.

Efforts must be made to build and develop cities and towns to accelerate and support development in the rural and mountainous regions; increase the proportion of town dwellers from 14 percent in 1994 to 18 percent in 2000; set up trade centers in regions, cities, districts, and villages. The state should apply a price support policy for a number of staple goods (iodine, oil, writing paper...). We should encourage various economic components to engage in investment and distribution of goods in various regions while striving to annually increase exports by 20-30 percent.

It is essential to preserve and develop various natural scenic areas and other historical relics to promote tourism.

We must improve radio and television programs and strengthen the communications development program; we must ensure that all of our districts have television relay stations and all villages have a telephone booth by the year 2000.

Efforts should be made to develop the public health and education network in villages and hamlets throughout the country. By the year 2000, we must ensure that 100 percent of all villages have a public health station with sufficient medical equipment to diagnose and treat common ailments, and a pharmacy that can supply sufficient common medicine to the people. We must implement the universal elementary education system, while striving to eliminate illiteracy at various age groups; expand various forms of education; and consolidate and develop various boarding and semi-boarding schools of the ethnic minorities.

We must reduce the proportion of poor households to under 30 percent and ensure that no hungry households exist by the year 2000.

**A number of key measures:**

Region I, which is composed of various centers, cities, towns, and industrial zones, dominates 0.1 percent of the natural area and 15 percent of the population of the mountainous provinces. The GDP per capita of this region is higher than the national average level and its investment structure rests chiefly with the mobilization of capital from the community and loans. We must establish a regional market and set up a link between the mountainous region to other regions throughout the country, while striving to attain a developmental pace higher than that of the national average to accelerate development in the region.

Region II, which consists of the buffer zone between urban areas and deep, remote, or high-altitude areas, accounts for nearly 15 percent of the natural area and for 25 percent of the population of the mountain provinces. In 1994, the average per capita GDP was equal to 70 percent of that of the whole country. It has a communications density of only 0.18 kilometer of road to the square kilometer. The regional investment mechanism is based on the state's active assistance in infrastructure building and on the mobilization of capital from the community and credit funds. There is a 100-percent need for hunger elimination and settled life and settled farming. Efforts must be made to reduce the poverty rate to less than 30 percent before the year 2000.

Region III, which tops the list of areas with difficult problems, accounts for 85 percent of the natural area and for 60 percent of the population of the mountain provinces. It consists of high-altitude and deep areas and faces extremely difficult problems concerning living conditions, services, and infrastructure. It also faces agricultural land shortages and lacks conditions for shifting to a commodity-based economy. It has a communications density of only 0.09 kilometer of road to the square kilometer. A total of 464 villages do not have access to land roads. With regard to the objectives to the year 2000, efforts must be made to eliminate hunger, reduce poverty, and bring the number of poor households to less than 40 percent from the current level of 70 percent. There is also a 100-percent need for settled life. The state must work out measures to mobilize public funds and invest them in a master development plan and must also provide close guidance for the region to develop quickly and for the northern border provinces to carry out the settled life and settled farming program.

State budget allocations for mountain and ethnic minority regions will be concentrated on the building

of roads, powerlines, breeding facilities, schools, dispensaries, and hospitals. Meanwhile, credit funds will be used to support agro-forestry development and the hunger elimination and poverty reduction program.

We need to combine mountain region development programs with ethnic minority region development projects and must work out uniform and practical investment policies to serve the interests of our ethnic minority compatriots. It is necessary to work out special investment control procedures based on the characteristics of each mountain region. We need to formulate a policy to provide priority training and skills improvement to ethnic minority cadres. Measures must be taken to enhance the competence of cadres, particularly economic management cadres and cadres in charge of administrative organs at all levels. It is necessary to assign more cadres to grass roots levels and give incentives to cadres in high-altitude or remote areas and encourage cadres from lowland areas to accept employment in mountain regions. We need to make arrangements for newly-graduated college or university students to go to hamlets and villages to help ethnic minority compatriots on a voluntary basis.

**11. Hunger elimination and poverty reduction program.**

**Objectives:**

We must, by the year 2000, reduce the number of households affected by hunger and poverty countrywide to 10 percent from the current 20-25 percent, or 300,000 households per year on the average.

We must, within the first two or three years of the five-year plan, devote efforts to basically eliminating lingering food shortages.

**Mechanisms and policies to assist needy people and poor villages:**

So far, 14 national programs and projects have been implemented in the framework of the hunger elimination and poverty reduction program. By 1996, the hunger elimination and poverty reduction program will be combined with other programs, of which the national programs to create jobs and cover empty land and barren hills or mountains with greenery will serve as the core.

It is necessary to make amendments to policies to help needy people and poor households or villages organize production, meet the requirements of everyday life, and improve their living conditions. As an immediate objective, efforts must be concentrated on the following policies:

Provincial or district people's committees must review the status of land allotment in localities under their

jurisdiction and revoke land that has been allotted at variance with the land allotment policy or allotted to business organizations or agencies for use not in accordance with preset goals and allot it to needy peasant households that have never befitting from the land allotment program before or have not been allotted sufficient land. It is necessary to motivate needy peasant households to leave for new economic zones and help them stabilize production and life soon.

We need to expand credit funds in order to enable needy households to apply for loans at preferential interest rates to support production. Needy households, whose situations have been verified by village or ward people's committees, will be eligible for loans without collateral. We must see to it that 90-95 percent of needy households may obtain loans from the bank for the poor and from the support funds of the various organizations and mass societies. Priority loan granting must be given to entitlement households and families that are most affected by poverty and hunger. The sources of capital to materialize this goal must be drawn from banks, funds provided by the hunger elimination and poverty reduction program, international financial aid or loan programs, state budget allocations...

State-run vocational training centers will provide free vocational training to children of needy households and will also provide funding for business enterprises that accept them for on-the-job training.

Plans must be worked out to form a contingent of volunteers comprising technicians, newly-graduated college or university students, and outstanding peasants to show needy households how to do business and provide them with technical support to engage in production and business operations.

For remote regions where local produce usually suffer from low prices and slow sales, the state, through its enterprises, will take steps such as subsidizing and guaranteed purchasing to help.

We will draw up a policy to fund the development of the six most essential social services for 1,300 of the poorest villages (roads and electricity to village centers, clean water, classrooms for primary and secondary levels and the abolishment of third shift classes, the setting up of medical stations, and a market for each village or group of villages).

Children of poor households attending general schools should be exempted from paying fees (or will receive scholarship to pay school fees). In primary schools, they should be able to borrow textbooks, receive free exercise books and pens, and be exempted from all other fees. For the especially needy households, more subsidies can

be given. More charity classes for poor children staffed by voluntary teachers should be set up.

Outstanding but poor students, especially those from ethnic minorities, should have priority in enrollment in ethnic minority boarding schools, universities, and colleges, or be specially considered for annual scholarships.

Poor families will be given free medical insurance policies to cover all family members. Cities and provinces, where possible, could set up charity medical centers to serve the poor.

Other social programs will be closely coordinated for the poor to benefit from health care. These programs are: Population and family planning, anti-malaria, anti-goiter, extensive immunization, prevention and control of social vices, and the 1991-2000 national actions program for children.

Surveys will be carried out on the number of needy households which lack the ability to support themselves. Criteria for concrete welfare benefits will be drawn up in accordance with the social charity policy to help the people to settle down.

### Third Part: Major Measures and Policies

#### I. Some Main Balances in the 1996-2000 Five Year Plan

##### 1. Financial balance.

##### Reserves-consumption balance:

We need to renovate socioeconomic policies and structures to guide people in spending so that it is suitable to the economic conditions. In the next five years, average consumption is expected to rise by 6 percent annually, or nearly two times the previous five years. By the year 2000, it will be about 1.5 times that of 1990. Reserves and development investment will rise at an annual rate of 15 percent. The total gross asset reserves for the five years will be about 33 percent of the GDP (for the five years 1991-1995 the proportion was 24.6 percent). This include fixed assets which constitute the major part (about 90 percent), liquid assets, and precious assets.

##### On foreign currencies:

For 1996-2000, the influx of foreign currency is expected to be about \$88-90 billion; of which \$58-60 billion will be from exports. If on-the-spot exports (goods and services) also included, total foreign currency earnings from exports will be about \$64.5-67 billion. Loans and aid will comprise \$7-8 billion, and the rest will be from direct investment, remittance by overseas Vietnamese, and so forth.



Total spending in foreign currency for the five years is expected to be at \$86-87 billion, of which \$75 billion will be for imports; Two billion dollars will be spent on air travel, posts and telegraph, tourism, and so forth, while the rest will be loan repayments, profit transfers by joint ventures, and so forth.

According to preliminary projections, for 1996-2000, the foreign currency influx will rise rapidly. Even though the import surplus is still large, a positive international balance of payments can still be achieved. Therefore, the purchasing power of the Vietnamese dong will rise vis a vis the stronger foreign currencies. This will not be healthy for the economy, and unbeneificial to exports. We need effective measures to prevent this.

## 2. State budget.

Projected state budget is as follows:

Total state revenue from 1996-2000 will be about 21-22 percent of GDP. Taxes and fees will constitute 20-21 percent (for 1991-1995 the rate was 20 percent, and for 1995 alone it was 21.6 percent).

Total state expenditure will be about 24-25 percent of GDP (25.5 percent in 1991-1995). Of this, regular consumption will be 14 percent of the GDP; loan repayments 3.5 percent of GDP; development investment about 6.5-7 percent of GDP (6.4 percent in 1991-1995). This is equivalent to 26 percent of total state budget. The budget deficit will be about 3-3.5 percent of the GDP. This will be offset by loans from domestic sources which will be over 50 percent, and long-term overseas loans, which will be less than 50 percent.

## Policies and approaches:

We must continue to implement the second phase of the tax systems renovation to meet the requirements of economic renovation and to make it suit international practices without reducing the sources of budget revenue. In implementation guidance, aside from calling for adequate tax collection as stipulated by law, we must foster and increase the existing sources of collection while exploiting other sources (such as land, natural resources, houses, and head offices...) if we are to increase our budget revenue and to better meet the government's growing needs for daily spending. Meanwhile, to gradually achieve social justice, we must amend and revise various types of tax and effectively regulate the revenue of the people of various strata.

Routine spending must be maintained at the essential, rational, and economical level. Priority must be given to education, improving the people's intellect, acquiring modern technology, safeguarding health, maintaining

national defense and security, and resolving pressing social welfare issues.

To step up production and to be thrifty in consumption, we must quickly increase investments in infrastructure. As for capital obtained from foreign countries, we must know how to use them effectively and fulfill our debt repayments.

The rate of increase of normal spending must be lower than that of investment and rate of budget spending.

To be more self-motivated in regulating the annual budget, we must ensure that we have the appropriate budget reserves. We must also set up a reserve fund which could be used during periods that overlap with the following year.

The immediate task is to gradually reduce overspending, and to refrain from taking whatever means to make up for it. We must calculate the efficiency of loans to be obtained from the people or from foreign countries. Especially, we must stop seeking short-term loans with high interest rate since this will increase the debt burden on the budget.

## 3. Balancing investment capital.

In building and developing the country along the renovation line, our party and state advocate mobilizing all sources of domestic and foreign funds for development investment. Domestic funds is to be considered as decisive while foreign funds as important. We must combine our internal potential with capabilities that can be mobilized from abroad. Our long-term strategy is to mobilize to the fullest all sources of domestic funding to ensure a high rate of local investment. However, in the initial years, industrialization requires huge capital outlays when the amount of domestic funding is still limited. That is why we will have to further mobilize foreign capital to yield economic growth and pay off debts. To ensure an annual GDP growth rate of 9-10 percent, investment by the entire society in the next five years must reach \$41-42 billion (based on the 1995 exchange rate) with domestic funding accounting for 50 percent or more. It is necessary to increase capital mobilization efforts quickly. This can be done through various promotional policies for development investment and through expanding the capital market under various forms such as introducing long-term savings accounts, bonds and share certificates including the circulation of government and enterprise bonds in the international market, expanding investment funds and various forms of mobilization of foreign funds. The stock market must be gradually established.

The planned structure of sources of capital to be obtained for investment in social development are as follows:

Total investment earmarked from the budget (covering funding from domestic budget revenue collection and from a segment of the ODA [overseas development aid] fund) will account for 21 percent of the budget. State loans will account for 7 percent, while investments from state enterprises will be 24 percent (including the amount left in the depreciation fund, after-tax income, loans from ODA and from the capital market). Individual investments will be about 17 percent, while foreign direct investment (FDI) will be about 31 percent.

If we only count on domestic investments, investments from the budget will be approximately 25 percent, state loans about 14 percent, investments by enterprises about 28 percent; while individual investments are about 33 percent.

Essential guidelines for investment in social development in various economic sectors and areas are as follows: 20 percent for agriculture, forestry, fishery, and water conservancy; 43 percent for industry; 18 percent for communications and post and telegraphic infrastructure; 14 percent for social, education, public health, cultural, environment, scientific, technological infrastructure; and 5 percent for other areas.

The portion of funds that can be directly manipulated by the state consists of investment earmarked in the state budget, state loans, and state enterprises which accounts for 52 percent of the total. Investments obtained from the budget have been decided as follows: 22 percent for agriculture, forestry, fishery, and water conservancy; 35 percent for communications and post and telegraph; 35 percent for social infrastructure, and 10 percent for other areas. Enterprises must give priority in investing intensively in technological renovation. As for individual investments and FDI, we must set forth the guidelines for the implementation of the aforementioned overall investment structure.

Some important relationships in allocation of investment capital:

— Relationship between core economic regions with others: While emphasizing the three major economic regions, we should also pay special attention to the socioeconomic development of the mountainous regions, the border areas, coasts, islands, ethnic minority people, and former revolutionary bases, to resolve the urgent needs of the local people.

Sources of capital from state budget and from ODA [Official Development Assistance] for centrally-managed projects will be distributed equally between regions for

the aiding of socioeconomic infrastructure. Capital allocations from the state budget for localities will be at 30 percent for the three major economic regions, and 70 percent for others. Investment capital from enterprises, individuals, and foreign direct investment for the major economic regions may be higher than the above.

— Relationship between industries: Investments in light industries and the processing industry for consumption and export will be about 12 percent of the total social investment (or 30 percent of investment for all industries).

Heavy industry will take 30 percent of the total social investment (or 70 percent of investment for all industries). These will be for projects that are urgent needed for socioeconomic development such as electricity, oil and natural gas, steel, and so forth. They must also satisfy the conditions on investment, markets, and efficiency.

## II. Policy Towards Various Economic Sectors and Structure of Economic Management

1. Satisfactory implementation of multisectorial economy policy.

We should continue with the renovation and development of the state-managed economic sector so it can fulfill its leading role. Sectors and industries that need stronger consolidation and development should be identified. Enterprises that serve public interests and trading enterprises should also be identified and have appropriate management structures. State enterprises should continue to be reorganized until they conform to local and regional plans. Lessons will be learned and the legal framework will continue to be perfected. This is to allow the equitization of state enterprises to proceed steadily, to create a new dynamic management style, and to mobilize more capital for development and the restructuring of state enterprises. Funds obtained this way should be reinvested in expanding production and accumulating state assets. This shows that equitization is not the same as privatization. We should have a policy to encourage enterprise workers to buy shares and to invest in enterprises. We should guarantee all principles of open bidding and auction in the equitization process to prevent any violations against state assets. We should also clearly define state management responsibility as well as ownership rights of the state in enterprises in which it has shares.

We should review the development of various types of production cooperatives formed by laborers in all trades and professions. These cooperatives are built on the principles of capital and labor contributions, the distribution of profits on the bases of shares or direct labor, voluntary participation, democratic management,

and openness in finance and business operations. The Law on Cooperatives should be fully implemented. The state encourages and will assist in the development of the cooperatives sector, and will seek international aid for it.

Various types of state capitalist tie-ups will be developed. This will include different types of cooperation and joint ventures between state economic sector and local private capitalists as well as foreign partners. This is to mobilize the vast potential in capital, technology, organization and management skills, and so forth of the capitalists for the interests of national construction. Various ways of sharing capital between the state and private businessmen in the country will be employed to strengthen Vietnamese businessmen and enhance their competence in cooperation and competition. We will encourage commercial banks, finance companies, and state enterprises to contribute capital. We will also encourage other economic sectors to do so to bring projects to fruition or to increase the Vietnamese share in joint projects with foreign partners.

Aid will be given to private and small businesses in resolving difficulties in the areas of investment, technology, market, and management. This is to further heighten their business and production efficiency. Guidance and encouragement will be given to help them initiate or participate in cooperatives, and joint ventures with state economic establishments.

We must take various measures and implement policies to encourage the private capitalist economic sector to invest in production in the various areas to comply with the aims and strategies of national development. Efforts should be made to protect the owners' rights and the legal interests of sectors, and to create favorable conditions for them while strengthening management. We must provide guidance in doing lawful business for the interest of the nation and the people's livelihood. We should encourage owners of various enterprises to offer a preferential share-holding system for workers; establish cooperative relationships between owners and workers on the basis of implementing the Labor Law, and ensure that the legal interests of both sides are protected.

2. Perfecting the market mechanism in accordance with the socialist orientations, and improving apparatuses for state macro- management.

We should strive to set up a uniform market system and create the environment for an active and orderly application of the market mechanism.

We must solve unemployment and strengthen the state's role in managing and guiding the use and employment

of laborers. We must concretize and implement the Labor Law; protect the rights of workers in finding their own jobs; and apply extensively the labor contract system where wages are paid according to the agreement reached between the employers and employees.

Efforts should be made to promulgate concrete regulations on ownership and on the use and the right to use real estate; and to formulate regulations on the calculation of fees for the transfer of the land use rights based on the value of the asset. We should set up a price index for real estate belonging to the state. This will be a basis for the implementation of policies on infrastructure investment, for policies on introducing the share-holding system at a number of state-run establishments, on developing various new industrial and populated areas, and on housing projects. We should promulgate regulations on agricultural land, and allow for changes to land use, based on the principles of planning and safeguarding grain production. We must check the agglomeration of cultivated land, while encouraging agricultural production and forestall the situation where there is no land for tillers. It is necessary to encourage various economic components to reclaim virgin land, develop fallow land, and expand cultivated areas.

We should develop the industrial market, and implement the regulations on ownership of industries and accelerate the promulgation of the copyright ordinance.

Efforts should be made to develop the capital market such as by promoting medium- and long-term deposits in banks and financial institutions. This is to mobilize capital for development investment. More treasury bonds and promissory notes can be issued while cadres are recruited, and preparations are made to set up a stock market, and measures taken to ensure its healthy operation.

We must continue to perfect and establish more markets for our commodities and services, with various economic components participating equally. We must continue to study and formulate the law on protecting competition and monopolies; oppose unhealthy competition and cartels; and expand and restructure domestic markets in cities, the countryside, and mountainous areas.

It is essential to continue to renovate planning; enhance the formulation of strategies and plans to develop various sectors, regions, and the national economy while striving to design medium- and long-term development projects and plans. We must strive to enhance quality and maintain a balance among major projects, and project development potential and trends in order to set economic targets and formulate policies, measures, and orientations for distribution of the labor force. Efforts



should be made to improve the quality of construction projects and examine and revise various investment projects. We must set up a system that closely combines planning with policy formulation and a system that guides and regulates the economy in order to progress along the set orientations and plans; and promptly resolve various imbalances and other implementation problems.

We must continue to reform and build the financial and monetary system into the active macro-regulating mechanism in order to integrate into the international community. It is essential to continue renovating the tax policy to ensure state revenue collection, to encourage production and business, and accelerate thrift in production and consumption. This is to increase our economic assets. We must simplify our tax system and update the export-import tax index; stabilize tax collection; replace the turnover tax system with the value added tax system; and introduce supplementary taxes and fees for the use of unrenovable natural resources. Efforts must be made to formulate a regulation for the effective use of the state budget; to gradually increase spending for developing investment; to contain overspending; and to apply a system to control the spending of the state budget and use of public property via the state treasury and auditing.

We must quickly perfect the national financial policy; satisfactorily implement the state budget law, especially the regulations on budget allocations.

The money issuance mechanism should be perfected and closely scrutinized. Various noncash liquidation methods should be expanded. The process of transforming commercial banks to full finance operation establishments should be continued. The system of banks for the poor should be developed with more preferential interest rates and suitable lending procedures. The directive on banking should be amended, supplemented, and upgraded into a law. Financial institutions should be allowed to diversify the financial and banking businesses in accordance with the law and with management regulations determined by the State Bank. The development and diversification of insurance business activity in all economic sectors will be encouraged, including cooperation with foreign partners. The mechanism and organization of managing social insurances should be renovated. The scope and domain of activity of foreign bank branches in Vietnam should be clearly determined so that their positive role in renovating our banking technologies will be developed while control by the State Bank will be ensured.

Step by step we will renovate foreign currency management structures and make them compatible with ac-

tual conditions. Reasonable exchange rates between the Vietnamese Dong against popular foreign currencies that we deal with should be strived for to bring the Vietnamese Dong to a full exchange power level.

3. Continuation of renovation of external economic activities, and acceleration of integration process into regional and world economies.

Considering all goods prohibited by law from being traded, goods under exclusive state trading privileges, and goods that need an allocated trade quota, the state will issue permits to units, mainly those with registered trading, to participate in export-import activities under state management and guidance. Methods and procedures for allocating export-import quotas will be reformed.

A uniform policy to encourage exports will be established to include assistance in production and business conditions, technology transfer, marketing, and tax concessions. Operation of the export support fund will be perfected. Import tax will be separated from turnover tax (or TVA [expansion unknown]) and special consumption tax. Tax scales will be made smaller and import tax rates will be gradually reduced. We will use goods identification and classification, as well as customs regulations which are compatible with usual international practices and those of ASEAN countries, as they are necessary preparations for our participation in the ASEAN Free Trade Association, AFTA. We will apply suitable measures for selected and time-limited protection of production activity to help production establishments heighten their competition ability and to prevent smuggling.

Policies on domestic and foreign investment will gradually be unified. We will experiment with allowing foreign companies and foreigners to buy shares in a shareholding company inside the country, including equitized state enterprises, but within limited proportions and in selected business areas only.

Authority and responsibility of administrations at all levels in the inspection of implementation of licensed projects, in handling all problems during the process of project realization, and in controlling all operating businesses should be clearly determined and institutionalized. Regulations on the establishment and operation of representative offices by foreign companies in Vietnam should be amended to create favorable conditions for foreign companies to conduct their investment and business activity here, while ensuring the state management role to prevent and handle effectively all violations of Vietnamese law.

4. Administrative reforms.

The contents of the administrative reform program determined by the resolution of the Party Seventh Central Executive Committee's Eighth Plenum should continue to be implemented actively in accordance with plans. We should continue to build a legal system suitable to the market-oriented mechanism and to the direction of socialism. New laws should be promulgated: commerce law; banking law; customs law; law on posts and telecommunications; electricity law; construction law; science and technology law; and aquatic resources law. Existing laws and decrees on taxes, encouraging domestic and foreign investments, companies, private businesses, and so forth will be further adjusted and supplemented. Documents detailing the enforcement of laws will be improved to ensure consistence between various documents, as well as timeliness and effectiveness of the documents. Fundamental reforms on administrative procedures should be accelerated. Announcements about legal documents that change administrative procedures should be completed quickly and made public. Documents issued by all authority levels should be re-examined, and stipulations previously issued by localities and sectors that are contrary to legal documents issued by the National Assembly and the government should be abolished. An information channel to inform the people of the decision-making process and other state activities should be formed. Propaganda and education work on laws should be widely expanded. All forces of political organizations, social and trade organizations, as well as the mass media should be mobilized to participate in movements to restore order and discipline, or in regular campaigns to enhance work and life habits within the rule of law in state agencies as well as in society.

The state administration apparatuses at central and local levels should be rearranged, and various special-

ized economic management agencies should be unified for the purpose of clear identification and proper implementation of the state management role of ministries and sectors. The division of state management power between government agencies and local administrations of provinces and centrally-managed cities should be more specific. Authority and responsibility at each administration level should be better clarified. The principle of centralized democracy should be developed according to the demands of heightening leadership efficiency and unifying management activities of the state administration system and of leaders of administration agencies. Regulations on administration inspections should be strengthened, especially regular inspections through reports, bookkeeping, and auditing. The situation of too many inspection and investigation agencies overlapping in their work should be rectified as it causes unnecessary costs to the agencies concerned.

Statutes for public servants and public service policies will be set up, together with regulations on recruitment through contests, and examinations for employment or promotion. Cadres and public servants will be trained, upgraded, and rejuvenated continually. Criteria for positions and corresponding awards should be reviewed, and people without adequate competence to hold their current positions should be transferred or removed from the apparatus. Degraded and deviated people should be handled firmly and fired. Stronger measures and better coordination will be needed to push forward the struggle against corruption, waste, and authoritativeness in the state management apparatus and in state economic organizations.

## Australia

### Australian Editorial: Military Ties With U.S. 'Essential'

BK2907060296 Sydney THE AUSTRALIAN  
FINANCIAL REVIEW in English 29 Jul 96

[Editorial: "Security Links With the U.S." — received  
via Internet]

[FBIS Transcribed Text] The decision to strengthen the military relationship with the United States is unequivocally good news - not just for Australia, but for the entire Asia-Pacific region. The prime minister, Mr. John Howard, is right: there is no need to choose between greater engagement with Asia or greater engagement with the U.S..

The strongest common interest between Australia and its Asian neighbours is the desire for peace and stability. U.S. involvement with the region serves that interest.

It keeps a lid on problems that would otherwise take on far greater significance and makes it possible for Australia and its neighbours to go about their business in a relatively peaceful environment.

This part of the world faces a future that looks extremely bright. Economic growth in the rapidly growing countries to our north looks set to dominate business strategies in Australia for quite some time.

The presence of the US underpins that outlook. Nobody at the Australia-United States Ministerial talks (AUSMIN) was publicly saying so, but the clear logic of maintaining U.S. power in the Asia-Pacific is that it balances the highly unpredictable power of China.

The perfect example was the recent deployment of a U.S. fleet to Taiwan during Chinese naval exercises that saw missiles and live ammunition used dangerously close to one of the region's most dynamic economies. In the end, the Chinese military put on quite a show and went home - but not without sending a chill through the region.

It would be difficult to say how the Americans would have reacted in a showdown, but that is the very point: a U.S. presence is at its most effective when it keeps potential aggressors off balance. As the latest civil strife in Indonesia shows, instability can come from the most unexpected quarter - reinforcing the case for a US presence.

This is why the decisions taken at AUSMIN are so important. Upgraded intelligence-gathering at Pine Gap and greatly enhanced joint war games are symbols that indicate a credible commitment to the region.

While China does not appear to have expansionist tendencies at the moment, its leadership is a cause for concern throughout the region. If Beijing can treat its own people with scant regard for human rights, what are neighbouring countries to make of China's intentions towards them?

If its economy keeps growing at its current rate it will soon be an economic superpower with the financial clout to support a military machine worthy of that status.

In such circumstances, only another economic superpower would have the resources to act as a counterweight to China. Japan, which would certainly have the ability, would no doubt take on such a role only with the greatest reluctance.

Even if Japan were somehow able to overcome its own political and constitutional impediments, it would still face intense opposition from those in the region with long memories. Yet without the guarantee of the U.S. nuclear umbrella, what is Japan to do? North East Asia is a dangerous neighbourhood.

By moving to lock in the U.S., the Howard government is doing what it can to ensure that Japan and the rest of the region will never need to face that issue.

The government is also wise to be acting now, well before China is expected to become a pressing issue.

Mr. Howard has plenty of ground to make up. It was just two years ago that the previous Labor Government publicly took China's side in its dispute with the U.S. over trade sanctions.

It is sometimes forgotten in Australia that this country's profile in Washington is already fairly low. Why help American isolationists by snubbing the US in such an unnecessary way?

The Labor government seemed to want American support in the region but was not willing enough to provide the public support for the U.S. that is so useful when it comes to the policy struggles in Washington.

Thankfully, today's government in Canberra seems to understand that the expression of pro-U.S. sentiment and policy is an essential component of Australia's security framework. Without such public recognition, Australia's supporters in Washington would be severely disadvantaged. On this issue, it is not only possible, but essential, to be simultaneously pro-American and pro-Australian.



**Australia: Prime Minister Cancels Visits to Japan, Indonesia***LD2807101396 Melbourne Radio Australia in English 0700 GMT 28 Jul 96*

[FBIS Transcribed Text] Australian Prime Minister John Howard has cancelled planned visits to Japan and Indonesia next month because his wife, Janette, is to have a major operation in a Sydney hospital. Mr. Howard says he naturally wants to spend as much time as possible with her and hopes the trip can take place some time in the near future. The prime minister has informed Indonesia's President Suharto and Japan's Prime Minister Ryutaro Hashimoto. The visits were to have been Mr. Howard's first as prime minister.

**Australia: Downer Condemns Burundi Violence, Offers Aid***BK3007033696 Melbourne Radio Australia in English 0100 GMT 30 Jul 96*

[FBIS Transcribed Excerpt] The Australian Government has deplored recent killings in Burundi and expressed concern at last week's military coup. Foreign Affairs Minister Alexander Downer says there is a worrying circle of violence in the central African nation. He says Burundi's violence could destabilize the Great Lake region and spill into neighboring states through large scale refugee movement.

Mr. Downer commended the efforts of former Tanzanian president, Julius Nyerere, to get a negotiated settlement and strongly encourage negotiations. He said Australia would provide \$20,000 [Australian dollars] to support the Nyerere mediation efforts.

Meanwhile, the new military ruler of Burundi is expected to announce an interim government before the end of the week. [passage omitted on meeting between diplomats and new leader]

**Australia: Downer Expresses Concern Over Unrest in Jakarta***BK2907145996 (Internet) Australian Broadcasting Corporation Online WWW in English 1013 GMT 29 Jul 96*

[FBIS Transcribed Text] Foreign Affairs minister Alexander Downer says Australia does not conduct its affairs in the same way as authorities in Jakarta had recently.

He made the comment when asked if Australia would condemn the force used by Indonesian authorities during weekend riots.

Mr Downer says he's concerned about the degree of unrest in Jakarta.

He could not give an assessment of the casualties, but says Australia's Embassy is keeping the Government constantly informed.

Mr Downer says he hopes the situation will be resolved as quickly as possible.

He also says President Suharto accepts that Prime Minister John Howard has had to cancel his visit to Jakarta next month, because Mrs. Howard is to have an operation.

**Australia: Editorial on Failure To Condemn Force in Jakarta***BK3007044696 Sydney THE AUSTRALIAN FINANCIAL REVIEW in English 30 Jul 96*

[Editorial: "Indonesian Challenge" — received via Internet]

[FBIS Transcribed Text] The rioting that erupted in Jakarta at the weekend was the biggest demonstration targeted specifically at the Indonesian Government since President Suharto took power 30 years ago. Both the intensity and the cause of the rioting provide strong reasons for Mr. Suharto to reconsider his future. At the same time, they should prompt Canberra to take a much closer look at its approach to the highly sensitive issue of Australian-Indonesian relations.

From the Indonesian perspective, the military assault on the headquarters of the Indonesian Democratic Party (PDI) which triggered the rioting suggests the present regime of Mr. Suharto lacks the political touch to respond appropriately to any manifestation of opposition. For those who had hoped there was a real commitment towards embracing a modicum of genuine democracy, this is extremely disappointing.

It is also disappointing for those who assumed Mr. Suharto, whatever his views on extending democracy, would at least use his 30 years' experience as Indonesia's president to manage the political process astutely. Instead he has over-reacted, in the process significantly elevating the political profile of the former PDI leader, Mrs. Megawati Sukarnoputri. So much so that there is now the possibility that she will become the symbol of what turns out to be a growing, and increasingly violent, struggle for greater political freedom in Indonesia.

While a shift towards broadening that country's political participation - at the same time removing existing restrictions on freedom of expression - would be extremely welcome, it would be a tragedy if, as a result of bungling by the Indonesian Government, the whole process slides into chaos and violence.

If it does the blame will rest firmly with Mr. Suharto himself, who is unfortunately showing all the signs of being yet another out-of-touch old man heading a country which is entering a time when the political skills needed are flexibility and innovation, not rigidity and domination. The fear is that, as with Deng Xiaoping of China, the response to political challenges will be the sort of brutal repression seen at Tiananmen Square in 1989, not the sort of intelligent compromise Indonesia needs.

To avoid this it may now be time for the more enlightened members of Golkar, Indonesia's ruling party, to make a more strenuous effort to look beyond Mr. Suharto and his hard-line supporters. While any push for such a change carries significant political risks, it may be the only way to avoid an intensification of the repressive response to the political pressures being unleashed by Indonesia's growing economy and expanding middle class.

From the Australian perspective, the weekend violence in Jakarta is a warning of the need for it, too, to adopt a more broad-based approach to Indonesia's increasingly challenging political dynamics. To start with, it is crucial that the federal government jettisons any tendency to assume that Indonesia's political powerbrokers have a stranglehold on government. While the recent turmoil may well lead to nothing in the short term, it is almost certainly a warning of things to come.

In contrast to the previous prime minister, Mr. Paul Keating, his successor, Mr. John Howard, should avoid equating the Indonesian Government with Mr. Suharto. While this may, in fact, be an accurate equation at present, the mathematics of Indonesian politics looks like becoming increasingly unstable. Given this, Mr. Howard and his minister for foreign affairs, Mr. Alexander Downer, should do everything possible to stay in touch with the broadest possible spectrum of Indonesian opinion, including, of course, the diverse opinion within Golkar itself.

When doing this they need to give priority to balancing the twin imperatives of maintaining the best possible relations with Indonesia - its people, its business leaders and its government - while at the same time taking a firm stand on all aspects of human rights.

Unfortunately, Mr. Downer's reported response to the military action against the PDI headquarters and the resultant rioting once again erred on the side of caution rather than courage. While the situation at present is fluid, and so needs particularly intelligent diplomacy, it should have been possible to condemn the Indonesian Government for resorting to excessive force. This we unfortunately failed to do. Mr. Suharto has done a lot for

Indonesia. While rightly criticised for his nepotism, he has nevertheless delivered strong growth and, until recently, commendable stability. The trouble is, unless he handles the transition to broader political participation with more astuteness than shown so far his economic legacy could well be overshadowed by what turns out to be political failure.

#### **Australia Increases PNG's Responsibility Toward Assistance**

*BK3007083996 Melbourne Radio Australia  
in English 0500 GMT 30 Jul 96*

[FBIS Transcribed Text] Australia says it has already taken steps to increase Papua New Guinea's [PNG] responsibility in determining aid priorities after PNG's foreign minister asked for a bigger role. The Australian foreign minister, Alexander Downer, said senior officials from the two countries met last week to discuss measures to enhance the aid program. Plans to increase PNG participation will be discussed at the annual ministerial talks, which have been brought forward to September.

Mr. Downer said Australia wants to be responsive and flexible and Canberra had gone to great lengths to ensure that PNG's concerns about aid were addressed. PNG's foreign minister, Genia Kilroy, has announced the review of the aid treaty, which provides that by the year 2000, all aid will go into projects, not cash grants.

Mr. Downer said Mr. Genia had written to him saying that PNG wanted to have more participation in the tiered aid program to make it more flexible, but the Australian foreign minister said there had been a comprehensive review of the treaty last year and high-level consultations last week when officials were in Jakarta for the ASEAN meeting.

#### **Australia Expresses Concern Over Vanuatu Bond Scandal**

*BK3007064296 Sydney THE SYDNEY MORNING  
HERALD in English 30 Jul 96*

[Report by Craig Skehan — Received via Internet]

[FBIS Transcribed Text] The Government expressed concern yesterday over an alleged bonds racket involving an Australian businessman which threatened to undermine the fragile economy of the Pacific Islands nation of Vanuatu.

The minister for foreign affairs, Mr. Downer, disclosed that a senior officer of the Australian Federal Police had been made available to help Vanuatu unravel dealings which resulted in the issue of \$US100 million (\$127

million [Australian dollars]) in Vanuatu Government bonds.

Mr. Downer cited a report issued by Vanuatu's Ombudsman, Ms. Marie-Noelle Ferrieux Patterson, stating that the scheme had put the country's national finances at risk.

"The alleged involvement of an Australian in the affair is a particular cause for regret and is a matter for the police and the courts," Mr. Downer said.

Vanuatu's Finance Minister, Mr. Barak Sope, who during the 1980s was at the centre of controversy over links with Libya and went to jail following an alleged attempted constitutional coup, was one of the signatories on the bonds.

The Ombudsman recommended the sacking of Mr. Sope, the country's Reserve Bank Governor and the finance department secretary over their roles in the bonds deal.

The prime minister, Mr. Maxime Cariot-Korman, was persuaded to endorse the bonds but, after concerns were raised with him, he ordered a police investigation.

A company called New Resources Group Vanuatu Ltd - which was proposing thermal power, tourism and other developments - was allegedly in receipt of the bonds.

There were media reports in Vanuatu's capital, Port Vila, that the bonds were purportedly to be used for investments in international securities which would see a \$250 million return to Vanuatu's coffers in less than a year.

Yesterday, 44-year-old Mr. Peter Swanson, who is a discharged bankrupt from Adelaide, was trying to arrange bail on charges of making false representations to Vanuatu's Reserve Bank and Government.

Mr. Swanson, who has been in jail in Port Vila for the past month, has maintained he is innocent of any wrongdoing.

One company letterhead names Mr. Swanson as chairman of the New Resources Group.

The local media have carried reports maintaining both the American FBI and Scotland Yard in Britain have been involved in investigating matters allegedly linked to the Vanuatu scheme.

The Australian High Commissioner in Port Vila, Mr. Alan Edwards, has become embroiled in controversy after citing the deal as an example of the type of financial mismanagement Canberra would take into account when considering the aid allocation to the Melanesian nation.

"We do have a concern over people coming through with dubious proposals," Mr. Edwards said.

"There are a few we are interested in and have concerns about at the moment."

Sources said proposals in Vanuatu from foreign interests, requiring government approval, ranged from large-scale real estate deals to electronic funds transfer schemes.

As a tax haven, Vanuatu has special legislation allowing the operation of an international finance centre which various foreign governments, including the U.S., have in the past suggested could be used for tax avoidance and money laundering.

Mr. Downer said that Australia was not yet considering cutting aid to Vanuatu as a result of the alleged bond racket, but was looking to the Vanuatu Government to "resolve the matter quickly".

## Micronesia

### Micronesia: President's Health 'Improving' After Stroke

BK3007050996 Hong Kong AFP in English  
0500 GMT 30 Jul 96

[FBIS Transcribed Text] AUCKLAND, July 30 (AFP) — Federated States of Micronesia President Bailey Olter was still in a Honolulu hospital Tuesday after suffering a stroke earlier this month but was improving, a government official said.

Special presidential assistant Terry Thinom told AFP from Palikir that Olter, 64, had suffered a mild stroke on July 16.

She said medical authorities had advised the Micronesia government that Olter was improving and was expected out of hospital soon. He was talking and was able to recognise family members.

No decision has been made on whether he will return to Micronesia after being discharged from hospital. Olter, a businessman from Pohnpei, first became president in 1991 and won re-election last year to his second four year term in office.

Micronesia became independent in 1991, although it had been self-governing under the US from 1980. It is a nation of 120,000 people scattered over hundreds of tiny islands spread over 2,500 kilometres (1,550 miles) at the Equator between Japan and Australia.



## **New Zealand**

### **New Zealand: Minister Lodges Protest With China Over Nuclear Test**

*BK3007015996 Melbourne Radio Australia in English 0100 GMT 30 Jul 96*

[FBIS Transcribed Text] New Zealand has lodged a formal protest over China's latest nuclear test. Foreign Affairs Minister Don McKinnon called in the Chinese ambassador, Huang Guifang, in the capital, Wellington. At the same time, five Greenpeace protesters briefly occupied the Chinese Embassy in the city.

Radio New Zealand says the activists reached the roof of the Chinese Embassy and flew an antinuclear flag on the embassy's flag pole. After the protest, several of the protesters were arrested.

Ambassador Huang told the reporters that China considered the occupation of the embassy an unfriendly action.

### **New Zealand: Christchurch APEC Ministerial Meeting 'Successful'**

*BK2907153796 Christchurch THE PRESS in English 29 Jul 96*

[Editorial: "APEC at Work" — received via Internet]

[FBIS Transcribed Text] The Christchurch ministerial meeting of the Asia Pacific Economic Co-operation [Apec] forum was never intended to be a groundbreaking gathering. It was meant to affirm that the directions already set were still agreed, and to attempt to influence the Apec leaders' Subic Bay meeting in November and the ministerial meeting of the World Trade Organisation in Singapore the following month. Within those limitations the Christchurch gathering was successful.

Apec already has an agenda: to achieve free and open trade and investment for its developed members by the year 2010 and for its developing members by 2020. The means of achieving that aim are embodied in undertakings — individual action plans — formulated by each member and specifying how they will fulfil the task, and in Apec collective actions.

It is an ambitious agenda, giving Apec enough to chew on without biting off more. A measure of the success of the organisation is that all 18 members have submitted their individual action plans, and several submitted revisions of their plans at the Christchurch meeting.

Just what the New Zealand plan is has not been announced publicly. However, New Zealand has been vigorous during the last few years in opening itself up to increased competition and in eliminating trade and investment barriers. No doubt these measures have been

packaged so that they are seen as contributing to the general liberalisation of trade and investment.

The global trade agenda is now complex and interrelated. Some issues were not resolved by the Uruguay trade agreement, but undertakings were made by countries — the so-called built-in agenda — and have a time-limit for fulfilment. Bilateral trade deals might threaten world trade arrangements and have to be watched, and the possibility of trade wars has to be reduced. Regional groupings might develop into trading blocs that upset the thrust of international liberalisation.

New Zealand has suffered considerably from trade restrictions, and therefore needs to take part in world and regional forums — and occasionally to be host to one, as Christchurch was.

### **New Zealand: Trade With Latin American Countries Viewed**

*BK2707151096 Christchurch THE PRESS in English 20 Jul 96*

[Editorial: "New Zealand Looks East" — received via Internet]

[FBIS Transcribed Text] The New Zealand Government's push into Latin America is justified on trade potential alone. The region has 401 million people and the total gross domestic product amounts to \$US1300 billion. The push is also towards the Caribbean, where the population is 36m [millions] and the combined GDP \$US65b. By themselves these measures of population and wealth might not justify such a concerted effort but the region has changed dramatically both politically and economically and is opening itself up for trade regionally and to the rest of the world.

The total two-way trade between New Zealand and Latin America, including Mexico, amounts to \$774.4m [New Zealand dollars]. The trade balance is heavily in New Zealand's favour, our exports being \$374.2m higher than our imports. Our exports to the Caribbean are \$66.7m higher than our imports from the region. Exports to the Caribbean were \$103.9m last year.

Mexico is by far the largest market in the region for New Zealand. Our exports declined from \$279m in 1994 to \$140m last year but that country remains among New Zealand's top 25 markets. The drop was caused by Mexico's financial crisis. Within Latin America the next biggest markets for New Zealand were Venezuela at \$93m, Peru at \$89.3m, Chile at \$66.3m, and Brazil at \$62.8m.

Just how much the trade can grow is difficult to judge. Many of the agricultural products of Latin

America are the same as those of New Zealand. Mexico is an exception. It is the largest importer of milk powder in the world. But Argentina, for example, has been a large producer of meat, wool, and dairy products—all traditional New Zealand exports. Since 1990 New Zealand has sold dairy products, fruit, agricultural machinery, and telecommunications equipment. Chile has had similar exports. In the year to June 1995 New Zealand's exports to Chile comprised milk powder and butter, machinery, coal, grass seed, and telecommunications equipment. However, Chile has become a focus in Latin America for New Zealand's business interests and our investment there is valued at more than \$3b. The booklet published by the Ministry of Foreign Affairs and Trade on trade and economic prospects in Latin America and the Caribbean says that the potential of a number of countries lies in New Zealand investment.

Trade threats as well as trade potential exist in the region. New Zealand is not alone in eyeing the possibilities of the Latin American market. Uruguay has recently signed an agreement and two co-operation memorandums with Malaysia. It has offered its territory to Malaysian companies as a place of operation and entrance to the Common Market of the South, Mercosur, which groups Argentina, Brazil, Paraguay, and Uruguay. United States insurance interests see Latin America as having huge potential, and considerable US investments into the region have been reported.

Both the potential and the threats are being increased by the bubbling activity over trade agreements. Besides Mercosur, which came into effect at the beginning of last year, the North American Free Trade Agreement groups Mexico, Canada, and the United States. The Free Trade Area of the Americas has been projected. At a summit in Miami in December 1994 all American leaders except Fidel Castro pledged themselves to negotiate this by the year 2005. Other trade agreements include the Andean Pact, which groups Bolivia, Colombia, Ecuador, Peru, and Venezuela; Caricom [Caribbean Common Market], which includes all Commonwealth Caribbean countries and Suriname; and CACM [Central American Common Market], which includes all Central American countries.

The establishment of Customs unions and preferential tariff agreements means that New Zealand exporters could be at a disadvantage. Involvement of New Zealand in the region might lead to patterns of trade that prevent us being excluded from participation in the expected growth.

The growth in the regional trade groups is helping to solidify the democratic governments of the region. For

instance, Paraguay recently handed to Argentina secret files on three Argentinians who disappeared during the terrible years of the dirty war of the late 1970s. At that time Argentina, Brazil, Paraguay, and Uruguay, all under military juntas, co-operated with one another by kidnapping and handing back or killing each other's suspected leftists. All the countries are now under democratic rule.

It is appropriate, for other reasons, that New Zealand should take an interest in South America. Some countries of the area, particularly Chile, already have well established links with New Zealand. Also, South America is the nearest land mass east of us. In that sense it is a neighbour, although it helps to have global eyes to see it that way. Having global eyes is part of the equipment of the modern trader.

### Papua New Guinea

#### Papua New Guinea: Prime Minister Criticizes Australian Media Bias

BK2707131796 Sydney THE SYDNEY MORNING HERALD in English 27 Jul 96

[Report by Greg Roberts—received via Internet]

[FBIS Transcribed Text] The Prime Minister of Papua New Guinea [PNG], Sir Julius Chan, has launched a strong attack on Australian media coverage of his country, accusing it of ignorance, bias and incompetence.

In a statement to the Herald, Sir Julius is particularly critical of the failure of Australian media organisations—with the exception of the ABC [Australian Broadcasting Corporation]—to station correspondents in PNG.

"As there is so much legitimate interest in Australia about what is happening in PNG, then more of the Australian media should provide a permanent presence in Port Moresby," he said.

"The Australian media displays ignorance about what is happening. When stories flash on to Australian pages or screens, those reports are sometimes full of mistakes and misinterpretations."

Sir Julius criticised Australian coverage of the five-week military offensive against rebels on Bougainville, saying it had favoured the rebels.

But he conceded that some of the blame for what he described as "misreporting" rested with his Government, which had "not effectively explained or presented" its case.

That may be an understatement. One of the problems encountered by foreign journalists covering PNG is that

few in the Government, Public Service or the military are willing or able to talk without Sir Julius's personal blessing.

His busy schedule leaves little time to respond to media queries, but Sir Julius has been reluctant to delegate this responsibility and nothing has come of an undertaking he gave several weeks ago to set up a media information unit.

The PNG Government recently increased the fee for visiting journalists to about \$200 [Australian dollars] on top of a "facilitation" fee of \$50 [Australian dollars], making PNG one of the most expensive countries in the world for journalists to cover.

Visa applications have to be vetted by the Government's Institute of PNG Studies as well as the Foreign Affairs Department, headed by Mr Gabriel Dusava.

PNG journalists visiting Australia can have free visas processed while they wait. Canberra has made Australia's dissatisfaction with the PNG attitude clear to Mr Dusava and is considering reciprocal measures against PNG journalists.

The latest tension between PNG officialdom and the Australian media erupted over a program on PNG televised earlier this month by Channel 7's Witness program.

Sir Julius agreed to co-operate after its producer, Mr John Little, promised "not just the usual tabloid once-over which I know you have experienced from other Australian programs".

The program reported on newsworthy, if perennial, PNG headaches, especially Bougainville and the "rascal" hoodlums.

Former prime ministers Sir Michael Somare and Mr Paias Wingti were effectively asked if they were corrupt.

Sir Julius was furious. "The self-righteous approach and pontificating delivery chosen by your reporter and producer is a little sickening," his office said in a letter to the presenter, Ms Jana Wendt. "You .. opted for a completely negative attack."

The irony of this uneasy situation is that PNG is trying to kick start its tourist industry, which has enormous potential but has suffered because of soaring crime rates and poor infrastructure.

Sir Julius has appointed the former mayor of Cairns, Mr Kevin Byrne, to spearhead efforts to put PNG on the international tourist map.

His task will be made all the more difficult by the number of obstacles placed before foreign journalists attempting to report on the country.

#### **Papua New Guinea: Police Officer Killed in BRA Rebel Attack**

BK3007030196 (Internet) Australian Broadcasting Corporation Online: WWW in English  
1129 GMT 29 Jul 96

[FBIS Transcribed Text] A police officer from Papua New Guinea is said to be the latest member of the security forces to die in Bougainville.

The policeman reportedly died at a police post set up at a Catholic Mission in Central Bougainville, which was attacked by a Bougainville Revolutionary Army (BRA) unit.

Papua New Guinea's Police Commissioner, Bob Nenta, says he's awaiting a full report on the incident, which took place at the Manetai Catholic Mission, 20 kilometres north-west of Arawa.

#### **Papua New Guinea: Prime Minister Postpones Bougainville Statement**

BK3007060996 Melbourne Radio Australia in English 0500 GMT 30 Jul 96

[FBIS Transcribed Text] Papua New Guinea's (PNG) prime minister has delayed making a major statement to the PNG Parliament on Bougainville because of the latest killings of security force personnel on the island.

Sean Dorney reports that Sir Julius was expected to elaborate on the memorandum of understanding he signed last month with Bougainville's transitional premier relating to greater political autonomy for the secessionist province.

[Begin Dorney recording] A brief statement issued by Sir Julius Chan's office this morning only minutes after parliament began said that the comprehensive statement scheduled for delivery by the prime minister has been delayed due to two unprovoked incidents against PNG security forces on Bougainville. Bougainville Revolutionary Army rebels shot dead two soldiers and a policeman yesterday. Their bodies have been flown back to Port Moresby today. [end recording]



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